

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design, development, manufacturing and marketing of sportswear, including footwear, apparel and accessory products, sold mainly under the self-owned Xtep brand and four internationally acclaimed brands, namely K-SWISS, Palladium, Saucony and Merrell.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2023 are set out in note 1 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2023 and the Group's financial position as at that date are set out in the financial statements on pages 80 to 163 of this annual report.

DIVIDENDS

An interim dividend of HK13.7 cents equivalent to approximately RMB12.6 cents per Share was declared and paid during the year, with an option to receive new fully paid shares of the Company in lieu of cash. The Board recommended a final dividend of HK8.0 cents (equivalent to approximately RMB7.3 cents) per Share for the year ended 31 December 2023, subject to approval by the Shareholders at the annual general meeting to be held on 3 May 2024. The proposed final dividend will be offered with a scrip dividend option to the Shareholders, which will allow them to receive new shares of the Company in lieu of cash. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Hong Kong Stock Exchange's granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular containing details of this scrip dividend scheme will be dispatched to the Shareholders for the scrip dividend.

The total dividends for the year ended 31 December 2023, which included the interim dividend and final dividend, amount to HK21.7 cents (equivalent to approximately RMB19.9 cents) per Share and they represented a dividend payout ratio of approximately 50.0%. Details of the dividends for the year ended 31 December 2023 are set out in note 11 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB2,064.0 million. Details of the reserves of the Company as at 31 December 2023 are set out in note 44 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2023 amounted to approximately RMB71.0 million.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2023 are set out in note 32 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2023 were:

Executive Directors

Ding Shui Po (*Chairman*)
Ding Mei Qing
Ding Ming Zhong

Non-Executive Director

Tan Wee Seng

Independent Non-Executive Directors

Bao Ming Xiao
Wu Ka Chee, Davy
Chan Yee Wah

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Each of the executive Directors on the Board had entered into a service contract with the Company for an initial term of three years commencing on 3 June 2008.

Mr. Tan Wee Seng has been re-designated as a non-executive Director effective from 17 March 2022 and had entered into a service contract commencing from 29 March 2010 and the contract continued to have full force upon his redesignation.

For the independent non-executive Directors, Dr. Bao Ming Xiao had entered into a service contract with the Company for an initial term of two years commencing from 21 December 2012. Dr. Wu Ka Chee, Davy had entered into a service contract with the Company for an initial term of two years commencing from 7 May 2021. Dr. Chan Yee Wah had entered into a service contract with the Company with no fixed term commencing from 17 March 2022.

All the service contracts of Directors are automatically renewed upon expiration (for service contracts with fixed term) and may be terminated by either party with a three-month's prior written notice.

In accordance with article 87 of the Company's articles of association, Mr. Tan Wee Seng, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah will retire from the Board by rotation at the forthcoming annual general meeting. Mr. Tan Wee Seng, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 40 to 45 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraphs headed "Continuing connected transactions" below, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2023.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company ⁽¹⁾
Mr. Ding Shui Po	Founder and beneficiary of a discretionary trust ^{(2)/} Beneficial interests ⁽³⁾	1,299,037,000	49.18%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust ^{(2)/} Beneficial interests ⁽⁴⁾	1,232,059,500	46.70%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust ^{(2)/} Beneficial interests ⁽⁵⁾	1,232,859,500	46.73%
Mr. Tan Wee Seng	Beneficial interests ⁽⁶⁾	283,068	0.01%

Notes:

- (1) It was based on 2,641,457,207 issued Shares of the Company as at 31 December 2023.
- (2) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts.

The Family Trusts (through their controlled companies) indirectly hold 1,230,059,500 Shares in aggregate and therefore each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong is deemed to be interested in 1,230,059,500 Shares of the Company.
- (3) Mr. Ding Shui Po was also beneficially interested in 68,977,500 Shares of the Company.
- (4) Ms. Ding Mei Qing was also beneficially interested in 2,000,000 Shares of the Company.
- (5) Mr. Ding Ming Zhong was also beneficially interested in 2,800,000 Shares of the Company.
- (6) 100,000 of these shares were issued to Mr. Tan Wee Seng upon the exercise of options granted on 7 December 2011 under the share option scheme adopted by the Company on 7 May 2008. 180,000 of these shares were acquired by Mr. Tan Wee Seng on the Hong Kong Stock Exchange. The remaining 3,068 of these shares were received by Mr. Tan Wee Seng by way of scrip dividends for the 2020 final dividend.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies and subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 39 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The details of such continuing connected transactions are set out below.

During the year ended 31 December 2023, certain subsidiaries of the Company leased certain office units in Xiamen from Hu Du Century (Xiamen) Investment Management Co., Ltd. (“HD Century”, an indirect wholly-owned subsidiary of Wan Xing International Holdings Limited, a controlling shareholder of the Company and is therefore a connected person of the Company).

The Company entered into a framework agreement (the “Lease Framework Agreement”) with HD Century on 8 December 2021 to govern the renewal of the existing leases and the entering into of new leases from time to time for the operations of the Group for the period from 1 January 2022 to 31 December 2024 (the “Term”). Under the Lease Framework Agreement, HD Century (as landlord) may, from time to time during the Term, enter into individual lease agreements with the Group (as tenant) to lease premises in the PRC to the Group for office or other uses for its operations. The Group shall determine the rent payable for each of the leases after arm’s length negotiations with HD Century based on normal commercial principles with reference to the prevailing market rent of leases of comparable premises, the historical quotation to other independent third parties by HD Century for similar leases, and other factors such as floor area, facilities and location.

The annual caps for the total value of right-of-use assets related to the leases to be entered into in the three years ending 31 December 2024 will be RMB20,000,000, RMB10,000,000 and RMB15,000,000, respectively. The connected transactions contemplated under the Lease Framework Agreement will be continuously carried out in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Listing Rules and are therefore subject to annual review by the independent non-executive directors and the auditors of the Company.

For details, please refer to the announcement of the Company dated 8 December 2021.

During the year ended 31 December 2023, the total value of right-of-use assets related to the leases entered into by the Group with HD Century amounted to RMB4,740,000. The rental amounts under the lease agreements were determined based on arm’s length negotiations between HD Century and the Group with reference to the prevailing market price of leases of comparable office buildings.

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company’s auditor has been engaged to report on the Group’s 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. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of its holding companies and 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 debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 December 2023, the persons or corporations (other than Directors or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company ⁽¹⁾
Group Success	Beneficial interests	1,230,059,500	46.57%
Wan Xing International Holdings Limited	Interests of controlled corporation ⁽²⁾	1,230,059,500	46.57%
Ding Wang Fortune Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.57%
Guan Hong Development Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.57%
Ming Zhong Family Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.57%
UBS Trustees (BVI) Limited	Trustee ⁽³⁾	1,230,059,500	46.57%

Notes:

- (1) It was based on 2,641,457,207 issued Shares of the Company as at 31 December 2023.
- (2) Wan Xing International Holdings Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited.
- (3) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts and, through its nominee UBS Nominees Limited, holds the entire issued share capital of each of Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited as the respective trust assets under the Family Trusts.

Each of Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited, which is in turn held as to 67%, 21% and 12% by Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited, respectively.

Save as disclosed above, as at 31 December 2023, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the "Share Award Scheme") to recognize the contributions by the Group's employees, executives, officers or directors and to give incentives in order to retain them for their continual operation and development and to attract suitable personnel for further development of the Group.

The Share Award Scheme is valid and effective for a period of 10 years from 1 August 2014 (the "Adoption Date") and will expire on 1 August 2024.

The Shares to be awarded under the Share Award Scheme (the "Awarded Shares") will either be acquired by the trustee of the Share Award Scheme (the "Trustee") from the open market or be new Shares allotted and issued to the Trustee under general mandates granted by shareholders of the Company to the directors at general meetings of the Company from time to time, both of which will be settled by cash contributed by the Group. The Trustee will hold the Shares in trust for the awardees until such Shares are vested with the awardees in accordance with the provisions of the Share Award Scheme. The Trustee shall not exercise the voting rights in respect of any Shares held under the trust.

Under the Share Award Scheme, the Board shall not make any further award of Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The vesting of Awarded Shares is subject to conditions and vesting schedules as determined by the Board in its sole discretion. The Awarded Shares will be vested in the respective proportions in accordance with the vesting schedule. The Trustee shall cause the Awarded Shares to be transferred to such selected participant on the vesting date.

The Awarded Shares shall be awarded and vested at no consideration. Vested Awarded Shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

During the year, no Awarded Share had been granted under the Share Award Scheme.

Since the Adoption Date and up to the date of this report, a total of 125,000,000 Awarded Shares had been awarded under the Share Award Scheme, representing about 4.73% of the number of Shares in issue as of the date of this report.

REPORT OF THE DIRECTORS

None of the grantees of the Awarded Shares is a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

The total numbers of Shares which were available for being further awarded under the Share Award Scheme at the beginning and end of the year and the date of this report, and the percentage of the then issued share capital of the Company they represented are as follows:

Date	Number of Shares available for being further awarded	Percentage of the then issued share capital of the Company
1 January 2023	6,835,846	0.26%
31 December 2023	7,072,860	0.27%
Date of this report	7,072,860	0.27%

As of 31 December 2023, there were a total of 66,324,000 outstanding Awarded Shares, details of which are as follows:

Name or category of grantees	Date of grant	Vesting period	Number of Awarded Shares					Outstanding as at 31 December 2023
			Outstanding as at 1 January 2023	Granted during the year	Vested during the year	Forfeited during the year	Lapsed during the year	
Employees	10 January 2017	10 January 2018 to 10 January 2023	280,000	-	(280,000) ²	-	-	-
	19 March 2021	Note 1	75,000,000	-	(8,676,000) ²	-	-	66,324,000
Total			75,280,000	-	(8,956,000)	-	-	66,324,000

Notes:

- The Awarded Shares are vested or to be vested in tranches of 10%, 15%, 20%, 20% and 35% of the total on 31 March 2023, 31 March 2024, 31 March 2025, 31 March 2026 and 31 March 2027, respectively. The vesting date of 1,176,000 Awarded Shares which were originally scheduled to be vested on 31 March 2024 had been brought forward to 31 March 2023 with the approval of the Board and the Remuneration Committee in consideration of the contribution of certain selected participants.
- No purchase price was paid upon vesting. The weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested during the Period is HK\$9.81.

Further details of the Share Award Scheme are set out in note 34 to the financial statements.

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

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

REPORT OF THE DIRECTORS

ISSUE OF CONVERTIBLE BONDS

On 9 September 2021, the Company issued convertible bonds in the aggregate principal amount of HK\$500,000,000 to an investor pursuant to the general mandate. The ultimate beneficial owner of the investor was a third party independent of the Company and its connected persons. The convertible bonds bear interest from and including the issue date at 1.8% per annum, and the interest shall be accrued quarterly and payable in kind and accumulate as additional principal amount of the convertible bonds. The convertible bonds will mature on the sixth anniversary of the date of issue. For details, please refer to the announcements of the Company dated 15 June 2021 and 9 September 2021.

As of 31 December 2023, the initial conversion price of HK\$10.244 per conversion share had been adjusted to HK\$9.6625 per conversion share. For details, please refer to the announcements of the Company dated 30 June 2022, 31 October 2022 and 30 October 2023.

Upon full conversion of the convertible bonds at the conversion price of HK\$9.6625 per conversion share, a maximum of 57,634,042 conversion shares will be issued (based on the maximum quarterly accrued interest of 1.8% interest per annum at the maturity date) representing approximately 2.18% of the issued share capital of the Company on 31 December 2023 and approximately 2.14% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

The gross proceeds and net proceeds from the issue of the convertible bonds were HK\$500,000,000 and approximately HK\$499,000,000, respectively. The Group intended to apply the net proceeds from the issue of the convertible bonds for the refinancing of existing debts, working capital and other general corporate purposes. The net proceeds have been fully utilised as intended in 2021.

As at 31 December 2023, the principal amount has been adjusted to HK\$520,618,354, the additional amount being the 1.8% interest per annum accrued quarterly since issuance and payable in kind as additional principal amount.

Further details of the convertible bonds are set out in note 28 to the financial statements.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2023.

SPECIFIC PERFORMANCE OBLIGATIONS ON CERTAIN CONTROLLING SHAREHOLDERS

On 2 September 2019, the Company as borrower entered into a facility agreement (the "2019 Facility Agreement") with a consortium of nine banks which was arranged by Hang Seng Bank Limited ("HASE"), The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and CTBC Bank Co., Ltd. as mandated lead arrangers and bookrunners and HASE as facility agent, pursuant to which a 4-year term loan facility in the principal amount of HK\$1,800,000,000 (the "2019 Facility") was made available to the Company on the terms and conditions stated therein.

The 2019 Facility was guaranteed by certain subsidiaries of the Company.

REPORT OF THE DIRECTORS

It was provided in the 2019 Facility Agreement, among other things, that an event of default would occur if the following undertakings are not complied with and not remedied within 20 days of the earlier of (i) HASE, as the facility agent, giving notice to the Company and (ii) any of the Company or the guarantors named therein becoming aware of the failure to comply:

- (a) Mr. Ding Shui Po will remain as the chairman of the Board;
- (b) Mr. Ding Shui Po will maintain control over the management and business of the Group;
- (c) Mr. Ding Shui Po and Ms. Ding Mei Qing (the "Majority Shareholders") collectively will continue to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any security; or
- (d) the Majority Shareholders collectively will remain to be the single largest shareholder of the Company.

In case of occurrence of an event of default which is continuing, HASE, as the facility agent, may by notice to the Company (a) cancel the whole or any part of the 2019 Facility whereupon the whole or relevant part of the 2019 Facility shall immediately be cancelled; (b) declare that all or part of the 2019 Facility, together with accrued interest, and all other amounts accrued or outstanding under the 2019 Facility Agreement and related documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or (c) declare that all or part of the 2019 Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

No event of default under the 2019 Facility Agreement has occurred up to the expiry of the term of the 2019 Facility in September 2023.

To refinance the 2019 Facility and to finance the general corporate requirements of the Group, on 3 July 2023, the Company as borrower entered into another facility agreement (the "2023 Facility Agreement") with a consortium of six banks which is arranged by HASE, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and The Bank of East Asia, Limited as mandated lead arrangers and bookrunners, pursuant to which a 4-year term loan facility in the principal amount of HK\$1,000,000,000 (the "2023 Facility") was made available to the Company on the terms and conditions stated therein.

The 2023 Facility is guaranteed by certain subsidiaries of the Company.

It is provided in the 2023 Facility Agreement, among other things, that an event of default will occur if the following undertakings are not complied with and not remedied within 20 days of the earlier of (i) HASE, as the facility agent, giving notice to the Company and (ii) any of the Company or the guarantors named therein becoming aware of the failure to comply:

- (a) Mr. Ding Shui Po will remain as the chairman of the Board of the Company.
- (b) Mr. Ding Shui Po will maintain control over the management and business of the Group.
- (c) Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Ding Ming Zhong and any of their respective family trust established by him/her whereby he/she and his/her family members are the only beneficiaries of the trust (the "Ding Family") collectively will continue to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any security.
- (d) The Ding Family collectively will remain to be the single largest shareholder of the Company.

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In case of occurrence of an event of default which is continuing, HASE, as the facility agent, may by notice to the Company (a) cancel the whole or any part of the 2023 Facility whereupon the whole or relevant part of the 2023 Facility shall immediately be cancelled; (b) declare that all or part of the 2023 Facility, together with accrued interest, and all other amounts accrued or outstanding under the 2023 Facility Agreement and related documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or (c) declare that all or part of the Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

As at 31 December 2023 and as at the date of this report, Mr. Ding Shui Po was an executive Director, the chairman and a controlling shareholder of the Company. Each of Ms. Ding Mei Qing and Mr. Ding Ming Zhong was an executive Director and a controlling shareholder of the Company. The Family Trusts collectively held indirectly approximately 46.57% of the issued share capital of the Company. Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong also had personal beneficial interests in approximately 2.61%, 0.13% and 0.16% of the issued share capital of the Company respectively.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company, who is an obligor under the Deed of Non-compete (as defined in the prospectus of the Company dated 21 May 2008), has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company thereunder. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-compete have been complied with by such controlling shareholders of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2023 and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share award scheme in which the Group's employees, executives, officers or Directors will be entitled to participate. Details of this scheme are set out in this paragraph headed "Share Award Scheme" above and note 34 to the financial statements.

None of the Directors waived any emoluments during the year.

REPORT OF THE DIRECTORS

PENSION SCHEME

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

The employees of the Group's subsidiaries which operate in China are required to participate in defined contribution central pension schemes operated by the local municipal government. The subsidiaries of the Group are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the central pension scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2023 is shown on pages 8 to 34.

There is no important event affecting the Group that had occurred since the end of the year up to the date of this annual report except for the completion of the acquisition of the Wolverine Group's interest in the 2019 joint venture entities on 1 January 2024.

PERMITTED INDEMNITY PROVISION

Article 167 of the Company's articles of association provides that every Director, secretary and other officers shall be indemnified out of the assets and profits of the Company against all actions, costs, losses and damages which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty, or supposed duty, in his office, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers were 2.7% (2022: 2.7%) and 12.0% (2022: 12.3%) of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 3.9% (2022: 4.0%) and 15.9% (2022: 16.6%) of the Group's total purchases, respectively.

At no time during the year ended 31 December 2023, did a Director, his/her close associate(s) or a Shareholder which to the knowledge of the Director owns more than 5% of the Company's share capital have an interest in any of the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

AUDITOR

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2023.

BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2023 are set out in note 27 to the financial statements.

FIVE-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

On behalf of the Board

Ding Shui Po

Chairman

Hong Kong, 18 March 2024