

# Annual Report

takbo

Takbo Group Holdings Limited  
德寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 8436

2022



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Takbo Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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# Corporate Information

## Executive Directors

Mr. Or Naam (*Chief Executive Officer*)  
Ms. Chan Hoi Yan Polly  
Mr. Or Huen

## Independent Non-Executive Directors

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Hui Ha Lam

## Audit Committee

Mr. Sung Chi Keung (*Chairman*)  
Mr. Tan Chong Huat  
Mr. Hui Ha Lam

## Remuneration Committee

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Naam

## Nomination Committee

Mr. Hui Ha Lam (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Huen

## Company Secretary

Ms. Wong Yuen Ki (*appointed on 30 June 2022*)  
Ms. Cho Wing Han (*resigned on 30 June 2022*)

## Authorized Representatives

Mr. Or Naam  
Ms. Chan Hoi Yan Polly

## Compliance Officer

Ms. Chan Hoi Yan Polly

## Registered Office

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

## Principal Place of Business in Hong Kong

Flat A, 22/F., EGL Tower  
83 Hung To Road, Kwun Tong  
Kowloon, Hong Kong

## Independent Auditor

RSM Hong Kong  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
29th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## Corporate Information (Continued)

### Principal Bankers

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

Nanyang Commercial Bank Limited  
151 Des Voeux Road Central  
Central  
Hong Kong

### Principal Share Registrar and Transfer Office in the Cayman Islands

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Stock Code

8436

### Company Website

[www.takbogroup.com](http://www.takbogroup.com)

# CEO's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Takbo Group Holdings Limited (the "Company"), I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, referred to as the "Group") for the year ended 31 December 2022.

The past two years have been challenging, continuous unresolved tension between the United States of America and the PRC, coupled with global pandemic restricting business travels and interaction, and rising supply chain problems. Our clients, suppliers and business partners have all been affected. It is what it is. The philosophy at Takbo is we put our head around the problems, think out of the box and turn challenges into opportunities. With our established one-stop supply chain manufacturing capability, we manage to pivot the market and innovate our clients with products of demand. This is important and has kept our business going.

Personal care and beauty remains the core of our focus. We stick closely with the trends of our generation Z and millennials on what they like and how they want them. The segment we target continues to evolve and has vast potential.

During the year, we allocated resources to conduct feasibility studies on opportunities we can diversify into, additional markets we can tap, ways to better cost control and risk management measures to adopt. The PRC, Europe and ASEAN markets, e-commerce, online distribution, brand licensing and adoption of sustainable materials, just to name a few. Advancement in a few or some of these initiatives in the short to medium term will solidify our business foundation going forward.

Difficult times have brought people together and have aligned those with similar mindsets. We met many new business associates, coming from different industries and with varying business models, and see an array of business collaboration opportunities which may materialise in the coming few years.

With borders opening back up and resumption of international travel, I believe the worst time is coming to an end, there is a glimpse of the light at the end of the tunnel. On behalf of the Board, I would like to thank our shareholders for your unwavering support, trust and confidence. I would also like to express my sincerest gratitude to all our management team members and staff for their tremendous effort and determination during the year.

## **Or Naam**

*Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2023

# Management Discussion and Analysis

## Market Overview

The global market faced continuous challenges throughout the year. At a macro level, political tension and travel restrictions were contributing factors affecting all businesses on the supply chain. At a micro level, retail companies experiencing cash flow problems, unemployment, all added to the pile.

Nevertheless, the beauty and cosmetics industry has proven to be resilient, as evidenced by data from the past. This remains the case as consumers continue to be concerned over health and hygiene, personal appeal, and awareness among people about the benefits of cosmetics for their skin and hair.

## Business Overview

The Group is principally engaged in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. The core business and revenue structure of the Group remained unchanged for the year ended 31 December 2022. During the year, the Group maintained its sales activities under the challenging business environment. Despite not being able to travel, the management and sales teams continued effortlessly communication with overseas customers for their needs and product demand. At the same time, the management conducted review on operational and costs efficiency.

## Financial Highlight

	For the year ended		
	31 December		
	2022	2021	Change
	HK\$'000	HK\$'000	%
Revenue	209,300	207,181	1.0
Gross profit	70,567	65,347	8.0
Gross profit margin	33.7%	31.5%	2.2
Net profit	1,008	4,377	-77.0
Earnings per share (in HK cents)	0.3	1.1	-72.7

## Prospects

Looking forward, the Directors consider the global environment remains uncertain and challenging. The Group will continue to focus its efforts in creating innovative products and expanding reach to new geographical locations. The ongoing pandemic of COVID-19 is putting millions at risk in more and more countries, making a serious public health crisis worldwide. Under such circumstances, various e-commerce solutions for generation Z and millennials are emerging as major trends in the recent service industry. In addition, it is expected that sustainability will play an important role for consumers in the beauty and cosmetics industry going forward.

## Management Discussion and Analysis (Continued)

### Financial Review

The following table sets out a breakdown of revenue of the Group and the percentage contribution to total revenue by product category for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Beauty products	179,255	85.6	192,515	92.9
Beauty bags	30,045	14.4	14,666	7.1
Total	209,300	100.0	207,181	100.0

Revenue of the Group for the year ended 31 December 2022 amounted to approximately HK\$209.3 million, representing an increase of approximately 1.0% over the previous year.

The gross profit of the Group for the year ended 31 December 2022 amounted to approximately HK\$70.6 million, representing an increase of approximately 8.0% over the previous year. The gross profit margin of the Group increase slightly from approximately 31.5% to approximately 33.7%.

Profit attributable to equity holders of the Company for the year ended 31 December 2022 amounted to approximately HK\$1.0 million, representing a decrease of approximately 77.0% over the previous year. Such change was mainly due to (i) relatively more competitive pricings under COVID-19 pandemic; (ii) exchange loss due to fluctuation of RMB during the year; and (iii) one-off bonus paid to employees who maintained the revenue targets under the economic downturn.

### Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a healthy financial position during the year ended 31 December 2022. The Group finances its daily operations through a combination of net funds generated and received from operations and net proceeds from the share offer. As of 31 December 2022, the Group had cash and cash equivalents of approximately HK\$180.5 million (2021: approximately HK\$140.5 million). The increase in cash and cash equivalents was mainly attributable to net cash inflow from our operating activities.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 6.9 times as at 31 December 2022 (2021: approximately 7.5 times). As at 31 December 2022, the Group did not have any outstanding borrowing and other indebtedness and no gearing ratio is presented.



## Management Discussion and Analysis (Continued)

### Administrative Expenses

The administrative expenses of the Group increased by approximately HK\$4.2 million or approximately 11.7% from approximately HK\$36.0 million for the year ended 31 December 2021 to approximately HK\$40.2 million for the year ended 31 December 2022.

### Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased by approximately HK\$6.2 million or approximately 23.8% from approximately HK\$26.0 million for the year ended 31 December 2021 to approximately HK\$19.8 million for the year ended 31 December 2022. The decrease was mainly due to reduction in shipping and freight cost.

### Foreign Exchange Exposure

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk, primarily with respect to US\$ and RMB denominated transactions arising from the sales of beauty products and bags to customers in the US and purchases from suppliers in the PRC. The Directors are of the opinion that the foreign exchange risk arising from US\$ against RMB of the Group is insignificant and manageable.

During the year ended 31 December 2022, the Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Derivative financial instruments of HK\$2.8 million were held by the Group as at 31 December 2022 for speculative and investment purposes.

### Contingent Liabilities and Capital Commitments

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil). The Group had capital commitment of approximately HK\$0.4 million in relation to expenditure on our factory expansion (31 December 2021: approximately HK\$0.4 million) and there was no operating leases (31 December 2021: Nil) as at 31 December 2022.

## Management Discussion and Analysis (Continued)

### Pledge of Assets

The Group did not have pledged assets as at 31 December 2022 (31 December 2021: Nil).

### Capital Structure

During the year ended 31 December 2022, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. The Group finances its operations, working capital, capital expenditures and other liquidity requirements through a combination of funds generated from operations and net proceeds from the share offer.

### Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 31 December 2022 save for the factory expansion plan, details of which are set out in the prospectus of the Company dated 13 October 2017 (the “Prospectus”).

### Significant Investments Held

As at 31 December 2022, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2021: Nil).

### Securities Investments

In addition, the Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2022 (2021: Nil), which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022 (2021: Nil).

## Management Discussion and Analysis (Continued)

### **Guarantee Performance in relation to the Acquisitions**

The Group did not enter into any acquisition, which is required to be disclosed under the GEM Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the year ended 31 December 2022.

### **Employees and Remuneration Policies**

As at 31 December 2022, the Group had 160 full-time employees in Hong Kong and the PRC (31 December 2021: 169 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$28.6 million for the year ended 31 December 2022 as compared to approximately HK\$26.0 million for the year ended 31 December 2021. Such increase was mainly due to increase in one-off bonus paid to staff who maintained the revenue targets under the economic downturn in 2022.

Remuneration is determined with reference to duties, responsibilities, experience and skills. On top of basic salaries, the Group provides discretionary bonuses to our senior management and key employees as incentive bonuses.

### **Use of Listing Proceeds**

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017 (the "Listing Date") for which the Company issued 100,000,000 new shares at HK\$0.69 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, were approximately HK\$42.1 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 31 December 2022, the Group did not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with a licensed bank in Hong Kong.

## Management Discussion and Analysis (Continued)

As at 31 December 2022, the net listing proceeds has been applied and utilized as follows:

<b>Use of net proceeds</b>	<b>Total net proceeds from share offer</b>	<b>Total remaining net proceeds available as at 1 January 2022</b>	<b>Planned use of net proceeds for the year ended 31 December 2022</b>	<b>Utilized for the year ended 31 December 2022</b>	<b>Total remaining net proceeds available as at 31 December 2022</b>
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Upgrade production hardware, and facilities and infrastructure	23,670	-	-	-	-
Expand the Hong Kong headquarters	11,245	1,732	-	1,213	519
Participate in local and global exhibitions	3,538	-	-	-	-
General working capital	3,665	-	-	-	-
<b>Total</b>	<b>42,118</b>	<b>1,732</b>	<b>-</b>	<b>1,213</b>	<b>519</b>

As at 31 December 2022, the unutilized net listing proceeds for the expansion of the Hong Kong headquarters is about HK\$0.5 million. Due to the social incident, COVID-19 pandemic and the global economic downturn which is expected to last for years, the Group decided to take a prudent approach in expanding its business operation and development in Hong Kong, and would consider to change part of the unutilized net listing proceeds to working capital for its daily business operation and part of it for investing or depositing to licensed banks in Hong Kong for a high yield return.

The Board will consider all feasibility for the use of unutilized net listing proceeds to enhance shareholders' value for the best of the Group as a whole. Further announcement in respect of the use of proceeds or change of use of proceeds will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when appropriate, should there be any development or conclusion made by the Board.

Subject to the business development and operation needs of the Group and assume that there will be no change in use of net proceeds of the Group, the Board re-assessed that the remaining proceeds from the share offer is expected to be fully utilised in next 6 months.

### Change in Auditor

As stated in the announcement of the Company on 12 October 2022, the Company has resolved to appoint RSM Hong Kong as the new auditor of the Company with effect from 12 October 2022 to fill the casual vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next annual general meeting of the Company.

### Significant Event after the Reporting Period

Save as disclosed above, as at the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2022.

# Biographical Details of the Directors of the Company and Senior Management

## Executive Directors

**Mr. Or Naam**, aged 54, is one of the founders of our Group and has been with our Group since 1995. He was appointed as a Director on 8 February 2017 and re-designated as an executive Director and chief executive officer of our Company on 27 February 2017. Mr. Or is also a member of remuneration committee of the Company.

Mr. Or Naam is currently a director of Takbo Limited (“Takbo”), a director of B&B (H.K.) Limited (“B&B”), Alpha Business Global Limited (“Alpha Business”), Full Colour Developments Limited (“Full Colour”), Dawning Beauty Limited (“Dawning”) and Ulrich Developments Limited (“Ulrich”), where he oversees all aspects of the operations of our Group including sales and marketing, product development, merchandising, production, design, research, strategic planning, formulation of corporate policies and new business initiatives. His key focus is to further establish and manage our Group’s overseas customers.

Mr. Or Naam is an entrepreneur. Over the past 28 years, he has gained start-up and operational experience in manufacturing and sales of packaging products (including beauty bags) and beauty products. In 1995, he joined our Group to design, develop and sell packaging products. Capitalising on our Group’s experience in selling packaging products including seasonal and promotional beauty products gift packages, Mr. Or Naam further expanded our Group’s business by providing “one-stop-service” to its customers, and our Group commenced the manufacturing of beauty products, from design, research, development and sourcing, to complement the packaging products for export to the U.S. and other markets.

Mr. Or Naam completed the AFS Year Programme, an intercultural, international, voluntary and non-governmental exchange programme which aims to provide local youth with complete and in-depth international cultural exchange opportunities, and to promote exchanges and learning regarding language, academic study, daily life and culture, to enhance their quality as global citizens (“AFS Programme”), at Daws Road High School (now known as Pasadena High School) in Australia for the 1988 to 1989 academic year. Mr. Or Naam was also the board member of AFS Intercultural Exchanges Ltd. from September 2003 to December 2015.

Mr. Or Naam is the spouse of Ms. Chan Hoi Yan Polly (an executive director), son of Ms. Chu Siu Fong (controlling shareholder), brother of Mr. Or Huen (an executive director) and brother-in-law of Ms. Chan Hoi Man (“Ms. HM Chan”), a merchandising manager of the Group.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

**Ms. Chan Hoi Yan, Polly**, aged 51, has been with our Group since 1995. She was appointed as an executive Director on 27 February 2017. Ms. Chan is currently the general manager of Takbo and a director of B&B, Alpha Business, Full Colour, Dawning and Takbo USA, Inc., where she oversees all day-to-day aspects of our operations in Hong Kong including sales and marketing, business development, merchandising, design and finance. Ms. Chan was appointed as a director of Minimax Corporation Limited, a company incorporated in Hong Kong (“Minimax HK”), with effect from 9 February 2022. Ms. Chan was also appointed as a director of Minimax Corporation Limited, a company incorporated in the United States (“Minimax US”), with effect from 8 March 2022.

Ms. Chan is an entrepreneur. Over the past 28 years, she has gained experience in manufacturing and sales of packaging products (including beauty bags) and beauty products. She joined our Group in 1995 and rose through the ranks over the next 11 years to become general manager of Takbo in 2006.

Ms. Chan completed the AFS Programme at the King Edward VI School, Suffolk, in the United Kingdom, for the 1989 to 1990 academic year and obtained a Diploma in Design from the Hong Kong Polytechnic University in October 1992. Ms. Chan is the spouse of Mr. Or Naam (an executive director), sister-in-law of Mr. Or Huen (an executive director), daughter-in-law of Ms. Chu Siu Fong (controlling shareholder) and sister of Ms. HM Chan (a merchandising manager).

**Mr. Or Huen**, aged 46, has been with our Group since 2002. He was appointed as an executive Director on 27 February 2017. Mr. Or is also a member of nomination committee of the Company.

Mr. Or Huen is currently the general manager and Chairman of Cosbe and a director of Ulrich, where he oversees all day-to-day aspects of our operations in the PRC including sales and marketing, product research and development, merchandising and production, quality control, strategic planning and new business initiatives. Mr. Or Huen was appointed as a director of Minimax HK with effect from 9 February 2022 and a director of Minimax US with effect from 8 March 2022.

Mr. Or Huen is an entrepreneur. He has over 20 years of experience in manufacturing and sales of beauty products. Mr. Or Huen was a founding member of Cosbe and has been the general manager since its founding in 2002. At Cosbe, Mr. Or Huen planned and built Cosbe’s production facility. He established the key business divisions, the four pillars of Cosbe, namely the marketing centre, the development centre, the production centre and the quality control centre.

Mr. Or Huen completed the AFS Programme at Bear River High School in the U.S. for the 1993 to 1994 academic year. Mr. Or Huen obtained a Bachelor of Science Degree in Molecular Biotechnology (Major) and Fine Art (Minor) from the Chinese University of Hong Kong in November 2001. Mr. Or Huen is the brother of Mr. Or Naam (an executive director), son of Ms. Chu Siu Fong (controlling shareholder) and brother-in-law of Ms. Chan (an executive director).

## Biographical Details of the Directors of the Company and Senior Management (Continued)

### Independent Non-executive Directors

**Mr. Tan Chong Huat**, aged 59, was appointed as our independent non-executive Director on 29 September 2017. He is also the senior partner and one of the founding members of RHTLaw Asia LLP, a leading full services legal practice with an Asia Pacific presence. Mr. Tan is the non-executive chairman of RHT group of companies which is involved in the sectors such as Fintech & Financial Services, Training, Learning & Development, Consulting & Advisory, Metaverse & Web 3.0 Digital Solutions and Wealth & Asset Management. Mr. Tan is also the chairman of China ASEAN Business Alliance, a regionally focused think tank and business network.

Mr. Tan has been appointed as an independent non-executive director of Lingbao Gold Group Company Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 3330)) since 28 May 2021 and an independent non-executive director of Raffles Interior Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1376)) since 7 October 2022.

His experience and track record, set out below, as a leading finance and corporate lawyer, successful entrepreneur and investor, reputable corporate leader and public service champion, and dedicated law professor coupled with his strong practical and academic grounding throughout his career has made Mr. Tan the trusted go-to expert for regulatory issues, complex financing (corporate finance and project finance transactions), deals structuring, funding and matching, corporate governance and board matters, and reputational management matters for corporate leaders and major corporates in the region and internationally.

Mr. Tan was the deputy chairman of the Singapore Exchange (the “SGX”) disciplinary committee and was a member of the appeals committee of SGX. He was a member of the first corporate governance council set up by the Monetary Authority of Singapore. Mr. Tan was involved in the regulatory applications, formation and operational set up of numerous leading financial institutions including the Investment Company of the People’s Republic of China, a subsidiary of the People’s Bank of China.

Mr. Tan has extensive experience in corporate, banking and project finance law in Singapore and the region and acted in numerous significant corporate transactions in the areas of initial public offerings, reverse takeovers, management buyouts, restructuring, mergers and acquisitions, and financing of major real estate and infrastructure in Asia. He has been named frequently a leading practitioner in many reputable professional publications, including IFLR1000 and Legal 500 Asia Pacific.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

Mr. Tan has been helping business owners and family businesses throughout his successful career. He has advised Asian and European high net worth clients in their mergers and acquisitions, listing, divestment, business succession planning, probate, wealth and asset preservation and protection, and family governance. As a trusted go-to adviser, Mr. Tan has been appointed as administrator and trustee for the estate of his high net worth clients, as well as counsel in estate disputes involving families of leading Asian conglomerates.

Mr. Tan is a Fellow with the Singapore Institute of Directors and Hong Kong Institute of Directors. He has been appointed on the boards as non-executive chairman and independent director of listed companies in Singapore and Hong Kong. He also co-founded RHT group of companies which is a leading professional services group in Asia. The Financial Planning Association of Singapore has also conferred on Mr. Tan an honorary membership. Over the years, he has successfully invested in startups, small and medium-sized enterprises and listed companies. Notably, he is knowledgeable and passionate in blockchain, distributed ledger and related technologies, and cryptocurrencies having invested into 2 exchanges which apply the distributed ledger technology. Mr. Tan was recently appointed as a mentor for the 10th Lee Kuan Yew Global Business Plan Competition.

Mr. Tan is also active in public service and charity work. He was the chairman of RHT Rajan Menon Foundation which serves causes such as Arts, Disadvantaged Groups, Education and Sustainability. He is the president of the Singapore Golf Association. He is also a member of the International Affairs Committee of Singapore Chinese Chamber of Commerce & Industry. He also sits as a Lay Person on the Institute of Singapore Chartered Accountants' Investigation and Disciplinary Panel. Mr. Tan is a member of the Selection Panel of Singapore Institute of Management University Law School. He has also established a National University of Singapore Grant in favour of the Law Faculty under the name of his deceased father. An award named RHT Tan Chong Huat Corporate Crime Award has also been established by the School of Law, Singapore Management University.

Mr. Tan taught at the Law Faculty, National University of Singapore (AY 2007–2013), Business School, National University of Singapore (AY 2008/2009), Nanyang Business School, Nanyang Technological University (AY 2008–2012) and various other universities in Asia. Besides authoring two leading literature on PRC Investment laws, he has co-authored leading titles on Corporate Governance, and Corporate Finance Law.

Mr. Tan obtained a Bachelor Degree in Law at the National University of Singapore in June 1989 and a LLM from the University of London (as External Student) in December 2007. He is an advocate & solicitor of the Supreme Court of Singapore, and a Solicitor of each of the Supreme Court of New South Wales, Australia, Supreme Court of England & Wales and the High Court of Hong Kong.



## Biographical Details of the Directors of the Company and Senior Management (Continued)

**Mr. Sung Chi Keung**, aged 47, was appointed as an independent non-executive Director on 29 September 2017. He is the chairman of the audit committee and a member for each of the remuneration committee and nomination committee of the Company.

Mr. Sung has over 23 years of experience in financial management, accounting, taxation, auditing and corporate finance and previously worked for KPMG, PricewaterhouseCoopers Ltd. and Deloitte & Touche Corporate Finance Ltd. From December 2019, he has been the chief financial officer of Vershold Global Limited. On 20 December 2021, Mr. Sung was appointed as an independent non-executive director of B.Duck Semk Holdings International Limited (“Semk Holdings”) (a company listed on the Main Board of the Hong Kong Stock Exchange on 17 January 2022, stock code: 2250).

From April 2015 to October 2019, he was the chief financial officer of China Chuanglian Education Financial Group Limited (“China Chuanglian”) (formerly known as China Chuanglian Education Group Limited, China Oriental Culture Group Limited and ZZNode Technologies Company Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2371).

From September 2018 to October 2019, Mr. Sung was appointed as a director of Premier Management Limited, which is a corporation licensed under the Securities and Futures Ordinance and an indirectly wholly owned subsidiary of China Chuanglian.

Previously, between 15 January 2007 and 30 June 2013, Mr. Sung was an executive director of Asian Citrus Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 73) (and formerly listed on the AIM of the London Stock Exchange (stock code: ACHL)). He was also the finance director and the company secretary between August 2004 and June 2013. Between August 2013 and March 2015, Mr. Sung was the chief financial officer and company secretary of China Green (Holdings) Limited (formerly known as China Culiangwang Beverages Holdings Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 904).

Mr. Sung obtained a Bachelor Degree in Business Administration, majoring in Professional Accountancy from the Chinese University of Hong Kong in December 1997 and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University in December 2006. He is a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

**Mr. Hui Ha Lam**, aged 49, was appointed as an independent non-executive Director on 1 July 2020. He is the chairman of the nomination committee and the member of the audit committee of the Company.

Mr. Hui is the founder, executive director, chairman of the board and chief executive officer of B.Duck Semk Holdings International Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code 2250). He is primarily responsible for the overall strategic planning, and business development. He has over 20 years of experience in design, marketing, licensing and branding industries. Prior to founding of Semk group of companies in late 2001, Mr. Hui worked as designer for Tint Concepts Limited and was responsible for both commercial and residential design projects from March 1998 to June 1999. From October 2000 to October 2001, Mr. Hui worked as a product designer for Kafutoy Industrial Co., Ltd and was responsible for the design and manufacturing of gifts and premium products to overseas markets. Mr. Hui was a committee member of the Toy Advisory Committee of Hong Kong Trade Development Council from 2012 to 2016. Mr. Hui was appointed as the vice chairman of Asia Branding and Franchising Association in 2014. Between 2014 to 2018, and from 2022, Mr. Hui was also a committee member of the Design, Marketing & Licensing Services Advisory Committee of the Hong Kong Trade Development Council. Mr. Hui was appointed as a director to the 51st to 53rd Term Board of Directors of Yan Chai Hospital from 2018 to 2020 and a honorary director to the 54th Term Board of Directors of Yan Chai Hospital in 2021 and he also serves as a member of The 37th to 39th Term Executive Committee of The Association of the Directors and Former Directors of Yan Chai Hospital. Mr. Hui was a member of the executive committee of Group 19 (Hong Kong Toys Council) and Group 30 (Innovation and Creative Industries Council) of the Federation of Hong Kong Industries. He was a committee member of the Hong Kong Young Industrialist Council (Design and Technology Committee) and the Hong Kong Designers Association from 2018 up to now. Since 2019, Mr. Hui has been appointed as a director of Hong Kong Design Centre. From 2020 to 2022, Mr. Hui has been a committee member of Advisory Committee of Licensing International Greater China. Since 2022, Mr. Hui has been the Vice-Chairman of the executive committee of the Hong Kong Young Industrialists (Public Relations Committee), a committee member of the Service Promotion Programme Committee of the Hong Kong Trade Development Council, an executive committee member of Merchants Support for Rehabilitated Offenders Committee. Since 2023, Mr. Hui has been appointed as a committee member of the Steering Committee of the Hong Kong Design Centre.

Mr. Hui obtained a bachelor of arts degree majoring in Fine Arts from the Chinese University of Hong Kong in December 1997 and a master of arts in three dimensional design from the Kent Institute of Art & Design in September 2000.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

### Senior Management

**Ms. Lui Shuet Ching**, aged 53, is the accounting and finance manager of our Group. Ms. Lui joined our Group in September 1995 as a clerk of the account department and was promoted to her current position in April 2001. She is primarily responsible for supervising accounting operations, preparing accounting report, reviewing management report and monitoring cash flow status. Ms. Lui possesses over 25 years of experience in accounting and finance.

Ms. Lui passed the examinations held by the London Chamber of Commerce and Industry Examination Board in book-keeping and accounts (second level), cost accounting (second level) and accounting (third level) in 1989, 1993 and 1994, respectively. She also obtained a diploma in accounting and management in February 2006 from the Caritas Bianchi College of Careers (Evening) in Hong Kong and a diploma in business strategy and tactics in July 2008 from the Vocational Training Council in Hong Kong.

**Ms. Chan Hoi Man (“Ms. HM Chan”)**, aged 44, is the merchandising manager of our Group. Ms. HM Chan joined our Group in May 1997 as a merchandiser and was promoted to her current position in February 2016. She is primarily responsible for leading and managing the operations of the merchandising team in the PRC, approving purchase orders of raw material for production, liaising with customers and providing price quotation. Ms. HM Chan has approximately 24 years of experience in the manufacturing industry. Ms. HM Chan is the sister of Ms. Chan.

**Ms. Chu Choi Yin (“Ms. CY Chu”)**, aged 41, is the sales manager of our Group. Ms. CY Chu joined our Group in October 2005 as a sales executive and was promoted to her current position in April 2013. She is responsible for product development and customer service, as well as leading the sales team in the PRC to monitor the progress of projects. Ms. CY Chu has over 15 years of experience in the sales and marketing industry. Prior to joining our Group, Ms. CY Chu was a merchandiser at Ellon Gift Products Ltd. from August 2001 to June 2003.

**Ms. Wong Yuen Ki (“Ms. Wong”)**, aged 33, was appointed as our company secretary on 30 June 2022. Ms. Wong is a manager of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wong has over 10 years of experience in the field of company secretary and is responsible for providing corporate secretarial and compliance services to Hong Kong listed companies as well as multi-national, private and offshore companies.

Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Wong holds a degree of Bachelor of Business Administration in Corporate Administration and degree of Master of Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong).

# Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group (the “Consolidated Financial Statements”) for the year ended 31 December 2022 (the “Year”).

## Principal Activities and Business Review

The principal activity of the Group is (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. Details of the principal activities of the principal subsidiaries of the Company are set out in note 21 to the Consolidated Financial Statements.

The business review of the Group for the Year together the future business development as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the section headed “Management Discussion and Analysis” on pages 5 to 10 of this annual report. This discussion form part of the report of directors.

## Environmental Policies and Performance

Discussion on the environmental policies and performance is contained in the “Environmental, Social and Governance Report” on pages 51 to 74 of this annual report. This discussion form part of the report of directors.

## Compliance with Laws and Regulations

Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group’s business where the Group is operating.

## Relationship with Key Parties

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

### Customers

The Group’s principal customers mainly include retailers, beauty product brand owners and trading companies. Our sales and marketing efforts have focused on the provision of competitive prices, reliable and timely delivery, and quality products and services to them. We have established a long term relationship with our major customers and therefore focus on manufacturing and/or selling quality assured products to maintain our reputation in the industry.

We have a close working relationship with our customers throughout the sales process from the product design and development stage to production phase and product delivery. We communicate with our key customers to better understand their needs and produce products to match the desired image of their brands.

## Report of the Directors (Continued)

### Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. In order to ensure the quality of supplies which would enhance consistency in our product qualities, we have a strict system for selecting our suppliers. We have adopted and implemented written guidelines and policies governing our procedures in selecting new suppliers and monitoring the on-going performance of the existing suppliers. We would also demand our chosen suppliers to comply with relevant local and industrial quality control standards and perform quality tests on the supplied materials.

### Employees

The Group focuses on the talents of our employees as our most valuable asset. We strive to create a good workplace that our employees are happy and motivated to work in. Our employees are treated fairly with respect and we reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

### Shareholders

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

## Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. Other than the trade tension between the US and the PRC, the Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

### COVID-19

Given the development of Coronavirus Disease 2019 ("COVID-19") in early 2022, a series of tightened precautionary and control measures have been and continued to be implemented across Hong Kong and the Mainland China. The Group will pay close attention to the development of the COVID-19 and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19.

### Travel Restrictions

The travel restrictions around the world including US and PRC give the Group difficulties to organize face-to-face meetings with the customers and suppliers. Though we would maintain online communications, its effectiveness may be far below face-to-face meetings, and thus our overall operations would be materially and adversely affected.

### Tariff

The relationship between US and the PRC are still of high uncertainty. The timing of releasing the extra tariffs that introduced by US under the trade war in 2019 would remain uncertain. Since our key customers are from US, our sales demand as well as our overall business performance may be materially and adversely affected.

## Report of the Directors (Continued)

### Others

The sales and profitability of our products are dependent on our customers' business performance. We sell our products mainly to retailers, beauty products brand owners and trading companies. The business performance of our customers could underperform due to a number of factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for our customers' products and adverse market or economic conditions in the markets in which our customers operate, in particular, the U.S. If the business performance of our customers deteriorates, they could reduce the amount of their purchases for our products, or terminate their business relationship from us, which could have a material and adverse impact on our business, financial condition, results of operations and prospect.

Any shortage in labour, increase in labour costs, strikes, labour unrests or other adverse factors affecting our labour force and supply chain may have a material adverse effect on our business operations.

As we expand our production capabilities and capacities, we will require more production personnel. There is no assurance that we will not experience any shortage of labour for our production. Given the economic growth in the PRC, competition for labour is substantial and labour costs have been increasing generally, and we cannot assure that we can retain and attract sufficient qualified employees and/or on commercially reasonable terms in the future. If we fail to retain and attract sufficient labour, we may not be able to effectively implement our expansion plans, our business, financial conditions and results of operations would be materially and adversely affected.

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

The Group maintains substantial amount of business assets and operations in the PRC. Accordingly, our results of operations are subject to economic, political and legal developments in the PRC. Any changes in its regulations will definitely affect our business in this regional segment.

### Results and Appropriations

The results of the Group for the Year are set out in the Consolidated Financial Statements on pages 81 to 151.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (31 December 2021: Nil).

### Five Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 152. This summary does not form part of the Consolidated Financial Statements.

## Report of the Directors (Continued)

### Share Capital

As at 31 December 2022, 400,000,000 shares of the Company were in issue. Details of the movement in share capital during the Year are set out in note 34 to the Consolidated Financial Statements.

### Equity-linked Agreements

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

### Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company's Articles of Association, 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 or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Year.

### Distributable Reserves

As at 31 December 2022, the Company have a reserve of HK\$141.0 million available for distribution (31 December 2021: HK\$141.0 million). Details of the movement in reserve of the Company during the Year are set out in note 40 to the Consolidated Financial Statements.

### Charitable Donations

During the Year, there was charitable and other donations of approximately HK\$5,000 made by the Group (31 December 2021: HK\$3,000).

## Report of the Directors (Continued)

### Major Customers and Suppliers

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	16.5%
– five largest suppliers in aggregate	28.9%
Sales	
– the largest customer	51.3%
– five largest customers in aggregate	82.5%

To the best knowledge of the Directors, none of the Directors or their respective close associates or any of our existing shareholders, whom to the best knowledge of the Directors owns more than 5% of the Company's issued share capital, has any interest in any of the Group's five largest customers or suppliers during the Year.

### Directors and Directors' Service Contracts

The Directors of the Company who held office during the Year and up to the date of this report were:

#### Executive Directors:

Mr. Or Naam (*Chief Executive Officer*)

Ms. Chan Hoi Yan Polly

Mr. Or Huen

#### Independent Non-executive Directors:

Mr. Tan Chong Huat (*Chairman*)

Mr. Sung Chi Keung

Mr. Hui Ha Lam

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 27 October 2017 and shall continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors (except Mr. Hui Ha Lam) has entered into a letter of appointment with the Company for a term of one year commencing on 27 October 2017 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.



## Report of the Directors (Continued)

Mr. Hui Ha Lam has entered into a letter of appointment with the Company for a term of one year commencing on 1 July 2020 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, Mr. Or Naam and Mr. Sung Chi Keung shall retire from office at the forthcoming annual general meeting to be held on 12 May 2023 (Friday) (the "AGM"). All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a 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.

### Confirmation on Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

### Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors of the Company and Senior Management" on pages 11 to 17 of this annual report.

## Report of the Directors (Continued)

### Changes of Directors' Information

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes of Directors' information of the Company are as follows:

Mr. Tan Chong Huat was appointed as an independent non-executive director of Raffles Interior Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1376)) on 7 October 2022.

Ms. Chan Hoi Yan Polly was appointed as director of Minimax Corporation Limited, a company incorporated in Hong Kong ("Minimax HK"), effective from 9 February 2022 and a director of Minimax Corporation Limited, a company incorporated in the United States ("Minimax US"), effective from 8 March 2022.

Mr. Or Naam was appointed as a director of Ulrich Developments Limited ("Ulrich"), effective from 12 January 2022.

Mr. Or Huen was appointed as a director of Ulrich, effective from 12 January 2022, a director of Minimax HK, effective from 9 February 2022 and a director of Minimax US, effective from 8 March 2022.

Save as disclosed above, the Company is not aware of any other changes in the directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of interim report for the six months ended 30 June 2022 of the Company.

### Permitted Indemnity Provisions

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, secretary and other officers and every auditor for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Such provision was in force during the Year. In addition, the Company has also maintained Directors' and officers' liability insurance during the Year, which provides appropriate cover for the directors and officers of the Group.

### Directors' Emoluments and Five Highest Paid Individuals

The Directors' emoluments are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' emoluments and five highest paid individuals are set out in notes 16 and 15(b) respectively to the Consolidated Financial Statements of the annual report.

## Report of the Directors (Continued)

### Emolument Policy

A remuneration committee was set up by the Board to develop the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

### Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

During the Year, the Group entered into certain related party transactions, details of which are disclosed in note 39(a) to the Consolidated Financial Statements. These transactions were conducted in the normal course of business, and the amounts fell under de minimis transactions per Rule 20.74(1) of the GEM Listing Rules during the Year.

Save as disclosed and the service contract/letter of appointment with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

### Non-competition Undertaking

Classic Charm Investments Limited, Mr. Or Naam, Ms. Polly Chan and Ms. Chu Siu Fong (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which the Controlling Shareholders undertake and covenant with the Company that they shall not, and shall procure any Covenantor and my/our close associates (each a "Controlled Person" and collectively, the "Controlled Persons") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the "Controlled Company") not to, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in any territory that our Group carries on its business from time to time.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

## Report of the Directors (Continued)

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the Year. Furthermore, there was no new business opportunities referred by the Controlling Shareholders to the Company during the Year.

### Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 39 to the Consolidated Financial Statements. Certain of which also constitute discloseable connected transactions under the GEM Listing Rules. These connected transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

### Conflict of Interests

Saved as disclosed above, during the Year, none of the directors, the substantial shareholders or the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

### Share Option Scheme

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its sole Shareholder on 29 September 2017 and became unconditional on 27 October 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As of the date of this annual report, there is only one share option scheme.

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons, namely directors, employees, consultants, advisers, any provider of goods and/or services to the Group; any customer of the Group and any person, who at the sole discretion of the Board, has contributed to the Group, and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group.

Pursuant to the Share Option Scheme, the Company may grant options to eligible persons to subscribe shares of the Company until any inside information has been announced, if any.

## Report of the Directors (Continued)

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme. The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

Unless the Company obtains a fresh approval from the shareholders pursuant to the conditions set out in the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not in aggregate exceed 10% of the total number of shares in issue from time to time. As at the date of this annual report, the number of issued Shares of the Company is 400,000,000 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 40,000,000 Shares which represented approximately 10% (2021: 10%) of the issued share capital of the Company, if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an eligible person would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such eligible person and his close associates (or his associates if the eligible person is a connected person) abstaining from voting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption to 28 September 2027, after which period no further options will be granted or offered.

## Report of the Directors (Continued)

The share options are exercisable at any time during period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

The exercise price of the share option will be not less than the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of a Share on the offer date.

As at 31 December 2022, there was no option outstanding, granted, cancelled, exercised or lapsed.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "13. Share Option Scheme" in section headed "Statutory and General Information" in Appendix IV to the Prospectus of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2022 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

## Report of the Directors (Continued)

### Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2022, the interests and short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long Position in the Ordinary Shares and Underlying Shares of the Company

##### Interests in the Company

##### *Interests in ordinary shares*

Name of director	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Or Naam <sup>Note</sup>	–	–	300,000,000	300,000,000	–	300,000,000	75%
Ms. Chan Hoi Yan Polly <sup>Note</sup>	–	–	300,000,000	300,000,000	–	300,000,000	75%

*Note:* The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, none of the directors and chief executive of the Company had any interests and 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

## Report of the Directors (Continued)

### Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 2022, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

#### Long Position in the Ordinary Shares and Underlying Shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Classic Charm Investments Limited	Beneficial owner	300,000,000	75%
Ms. Chu Siu Fong <sup>Note</sup>	Interest in controlled corporation	300,000,000	75%

*Note:* The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.



## Report of the Directors (Continued)

### Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 32 to 50 in this annual report.

### Annual General Meeting ("AGM")

The AGM of the Company will be held on 12 May 2023 (Friday) and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

### Closure of the Register of Members

The Register of Members of the Company will be closed from 8 May 2023 (Monday) to 12 May 2023 (Friday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, 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 5 May 2023 (Friday).

### Auditor

As stated in the announcement of the Company on 12 October 2022, the Company has resolved to appoint RSM Hong Kong as the new auditor of the Company with effect from 12 October 2022 to fill the casual vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next AGM of the Company.

The Consolidated Financial Statements have been audited by RSM Hong Kong, who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditors is to be proposed at the AGM.

By order of the Board

**Takbo Group Holdings Limited**

**Or Naam**

*Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2023

# Corporate Governance Report

## Corporate Governance Principles and Practices

The Board and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management. The Company's corporate governance practices are based on the principles and code provisions as set out in the corporate governance codes (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2022 (the "Year"), the Board considers that the Company has complied with all the CG Code as set out in Appendix 15 to the GEM Listing Rules, save for the following:

### Code Provisions C.1.6

Under Code Provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. For the Year, Mr. Tan Chong Huat ("Mr. Tan") and Mr. Hui Ha Lam ("Mr. Hui"), independent non-executive Directors, had not attended the annual general meeting held on 12 May 2022 ("2022 AGM"). Mr. Hui had other important prior engagement at the same time; while Mr. Tan stationed and worked in Singapore, he did not attend the 2022 AGM since the implementation of the travel restriction and quarantine requirements among Singapore and Hong Kong resulted from the outbreak of COVID-19.

### Code Provision F.2.2

Under Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. For the Year, Mr. Tan, the chairman of the Board, who stationed and worked in Singapore, did not attend the 2022 AGM due to the implementation of the travel restriction and quarantine requirements between Singapore and Hong Kong resulted from the outbreak of COVID-19.

Details of compliance of the CG Code during the Year are explained in this corporate governance report.

## Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies (the "Relevant Employees"), who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and the Relevant Employees, they all confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Year.

# Corporate Governance Report (Continued)

## The Board of Directors

### Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

### Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

Throughout the Year, the Board comprises six Directors. As at 31 December 2022 and up to the date of this annual report, there are three executive Directors and three independent non-executive Directors of the Company. The composition of the Board is as follows:

#### Executive Directors:

Mr. Or Naam (*Chief Executive Officer*)  
Ms. Chan Hoi Yan Polly  
Mr. Or Huen

#### Independent Non-executive Directors:

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Hui Ha Lam

During the Year, there was no change in the composition of the Board.

The relationship among members of the Board and biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors of the Company and Senior Management" on pages 11 to 17. The updated list of Directors and their role and function are published at the website of the Stock Exchange and the Company's website at [www.takbogroup.com](http://www.takbogroup.com).

Save as disclosed in the section headed "Biographical Details of the Directors of the Company and Senior Management" to this report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

## Corporate Governance Report (Continued)

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

### Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Tan Chong Huat is the non-executive Chairman of the Board. The primary role of the Chairman is to help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company. Mr. Or Naam is the Chief Executive Officer of the Company. He oversees all aspects of the operations of the Group including sales and marketing, product development, merchandising, production, design, research, strategic planning, formulation of corporate policies and new business initiatives. His key focus is to further establish and manage the Group's overseas customers.

### Independent Non-executive Directors

The Company has throughout the Year met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

### Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to 5.09 of the GEM Listing Rules to the Company in respect of their independence for the Year. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the independence guidelines throughout the Year.

## Corporate Governance Report (Continued)

### Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 27 October 2017 and shall continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors (except Mr. Hui Ha Lam) has entered into a letter of appointment with the Company for a term of one year commencing on 27 October 2017 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

Mr. Hui Ha Lam has entered into a letter of appointment with the Company for a term of one year commencing on 1 July 2020 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

For the Year, the Company held five Board meetings and four audit committee meetings; while one meeting for each of the remuneration committee and nomination committee has also been held, and the Chairman met with all independent non-executive directors without the presence of other directors in compliance with the GEM Listing Rules. In addition, external auditors has met with audit committee members for discussions on the proposed audit scope and matters for the Year.

## Corporate Governance Report (Continued)

### Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meetings, board committee meetings and annual general meeting held during the Year:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
<b>Total number of meetings held</b>	4	4	2	1	1
	<b>Number of meetings attended</b>				
<b>Executive Directors</b>					
Mr. Or Naam	3	2 <sup>(*)</sup>	2	1 <sup>(*)</sup>	0
Ms. Chan Hoi Yan Polly	4	4 <sup>(*)</sup>	2 <sup>(*)</sup>	1 <sup>(*)</sup>	1
Mr. Or Huen	4	1 <sup>(*)</sup>	2 <sup>(*)</sup>	1	0
<b>Independent Non-executive Directors</b>					
Mr. Tan Chong Huat	4	4	2	1 <sup>(*)</sup>	0
Mr. Sung Chi Keung	4	4	2	1	1
Mr. Hui Ha Lam	4	4	2 <sup>(*)</sup>	1	0

\* Attended as an invitee.

During the Year, the Chairman also held meeting with the independent non-executive Directors without the presence of other Directors.

### Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. All Directors are consulted to include additional matters in the agenda for such meetings.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Queries raised by directors shall receive a prompt and full response by the management.

At the annual general meeting, the Chairman as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. At the 2022 AGM, Ms. Chan Hoi Yan Polly acted as chairman and Mr. Sung Chi Keung, chairman of the audit committee and a member of nomination committee answered questions from shareholders at the meeting.

## Corporate Governance Report (Continued)

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

The company secretary of the Company is responsible to keep minutes of all Board meetings and committee meetings. Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

### Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the GEM Listing Rules and CG Code. The Company has established a Board Independence Evaluation Mechanism to enable Directors and members of all Board Committees, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense. The Board reviews the implementation and effectiveness of the Board Independence Evaluation Mechanism at least annually.

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior management from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

### Induction and Continuous Professional Trainings of Directors

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under the CG Code as set out in Appendix 15 to the GEM Listing Rules regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

## Corporate Governance Report (Continued)

During the Year, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

<b>Name of Director</b>	<b>Attending courses/ seminars/conferences</b>	<b>Reading books/ journals/articles</b>
Mr. Or Naam	✓	✓
Ms. Chan Hoi Yan Polly	✓	✓
Mr. Or Huen	✓	✓
Mr. Tan Chong Huat	✓	✓
Mr. Sung Chi Keung	✓	✓
Mr. Hui Ha Lam	✓	✓

For the Year, regulatory updates have been provided and sent to all the Directors, include:

- briefing by the external auditor on changes or amendments to accounting standards at the AC meetings; and
- update by the Company Secretary on amendments to the Corporate Governance Code and GEM Listing Rules, directors' duties and responsibilities as well as risk management from time to time.

The Company shall from time to time, if necessary, arrange for relevant and appropriate continuous professional training to all Directors to develop and refresh their knowledge and skills to enable them to be better discharge their duties as a Director of the Company. During the Year, the Company consider that regulatory updates provided to all the Directors could assist them to discharge their duties.

### Board Committees

The Board has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the GEM website of the Stock Exchange, and are available to shareholders upon request.

#### Audit Committee

The Company established an audit committee on 29 September 2017 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.



## Corporate Governance Report (Continued)

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee during the Year and up to the date of this report is as follows:

Mr. Sung Chi Keung (*Chairman*)  
Mr. Tan Chong Huat  
Mr. Hui Ha Lam

All of the members of the audit committee are independent non-executive Directors. None of them (including their immediate family members) is a former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them (including their immediate family members) do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the GEM Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Mr. Sung Chi Keung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

During the Year, the audit committee held four meetings. Details of the attendance of the members of the audit committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above. The summary of work of the audit committee during the Year is as follows:

- To meet with the external auditors, review and make recommendations for the Board's approval on the financial statements, quarterly, interim and annual reports and continuing connected transactions of the Group;
- To review and approve audit fee;
- To review and assess the independence of the auditors;
- To review the terms of engagement and make recommendation to the Board for the re-appointment of auditors of the Company, subject to the Shareholders' approval at the annual general meeting;
- To review the non-competition undertaking by the controlling shareholders of the Company;
- To review the continuing connected transaction of the Company;
- To review the effectiveness of the Company's risk management and internal control systems; and
- To review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The audit committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

## Corporate Governance Report (Continued)

### Remuneration Committee

The Company established the remuneration committee on 29 September 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The latest terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee during the Year and up to the date of this report is as follows:

Mr. Tan Chong Huat (*Chairman*)

Mr. Sung Chi Keung

Mr. Or Naam

The majority members of the remuneration committee are independent non-executive Directors. During the Year, the remuneration committee held one meeting. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above. The summary of work of the remuneration committee during the Year is as follows:

- To review and recommend to the Board on the remuneration packages of the executive Directors and senior management of the Company with reference to the Group's remuneration policy and strategy; and
- To review and recommend to the Board on the Directors' fees of independent non-executive Directors with reference to the Group's remuneration policy and strategy.

Details of the emoluments paid to the Directors and highest paid individuals for the Year are set out in notes 16 and 15(b) respectively to the Consolidated Financial Statements.

### Nomination Committee

The Company established the nomination committee on 29 September 2017 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

## Corporate Governance Report (Continued)

The composition of the nomination committee during the Year and up to the date of this report is as follows:

Mr. Hui Ha Lam (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Huen

The majority members of the nomination committee are independent non-executive Directors. During the Year, the nomination committee held one meeting. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above. The summary of work of the nomination committee during the Year is as follows:

- To review the existing Board’s structure, size and composition;
- To review the board diversity policy;
- To review the nomination policy;
- To review and assess the independence of the independent non-executive Directors; and
- To make recommendations on the re-election of the retiring Directors at the 2023 AGM of the Company.

### Board Nomination Policy

The Company adopted a nomination policy on 9 November 2018 in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors and shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors (including independent non-executive Directors) appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group’s business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

### Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company’s business.

## Corporate Governance Report (Continued)

Upon considering a director candidate suitable for the directorship, the nomination committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment (including re-election). In the meantime, the nomination committee will provide the relevant information of the selected director candidate to the remuneration committee for consideration of the remuneration package of such selected candidate.

The nomination committee will thereafter make the recommendation to the Board in relation to the proposed appointment (including re-election); while the remuneration committee will make the recommendation to the Board on the policy and structure for the remuneration.

The Board will arrange for the selected candidate to be interviewed by the members of the Board and the Board, if necessary, with the recommendation of the nomination committee, will deliberate and decide the appointment.

### Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The process of re-electing Directors are as follows:

- The nomination committee would assess the performance of each of the Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) and in accordance with the performance criteria set by the Board and consider the current needs of the Board;
- The nomination committee would review the size and composition of the Board, including the Board's policy to ensure an appropriate mix of members with complementary skills, core competencies, and experience for the Group, and diversity of skills, gender, experience and knowledge to the Company; and
- Subject to the satisfactory assessment of nomination committee, the nomination committee would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

## Corporate Governance Report (Continued)

### Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board. The Board reviews the implementation and effectiveness of the Board Diversity Policy at least annually.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, nomination committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Composition of the Diversified Board

As at the date of this annual report, the Board comprises six Directors, one of which is a female. The following tables further illustrate the composition and diversity of the Board in terms of gender, length of service with the Group, age, nationality, educational background and professional experience as of the date of this annual report:

Name of Director	Age Group		Ethnicity	
	40 to 49	50 to 59	Chinese	Singaporean
Mr. Or Naam		✓	✓	
Ms. Chan Hoi Yan Polly		✓	✓	
Mr. Or Huen	✓		✓	
Mr. Tan Chong Huat		✓		✓
Mr. Sung Chi Keung	✓		✓	
Mr. Hui Ha Lam	✓		✓	

## Corporate Governance Report (Continued)

Name of Director	Educational background				Professional experience		
	Law	Science	Accountancy	Design/ Other	Management	Accounting and finance	Law
Mr. Or Naam				✓	✓		
Ms. Chan Hoi Yan Polly				✓	✓		
Mr. Or Huen		✓			✓		
Mr. Tan Chong Huat	✓						✓
Mr. Sung Chi Keung			✓			✓	
Mr. Hui Ha Lam				✓	✓		

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has monitored the implementation of the board diversity policy, and also reviewed its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

### Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	17% (1)	83% (5)
Senior Management	41% (7)	59% (10)
Other employees	68% (34)	32% (16)
Overall workforce	74% (69)	26% (24)

Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

## Corporate Governance Report (Continued)

### Corporate Governance Function

The Board is responsible for performing the functions set out in the CG Code in Appendix 15 to the GEM Listing Rules. The Board shall review the following corporate governance functions of the Company:

- To review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the training and continuous professional development of Directors and senior management of the Group;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- To review the Company's compliance with CG Code and disclosure in the corporate governance report.

### Accountability and Audit

#### Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of financial reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the Year which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

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 auditors about their reporting responsibilities is set out in the "Independent Auditor's Report" on pages 75 to 80 in this annual report.

## Corporate Governance Report (Continued)

### Risk Management and Internal Control Systems

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness annually, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance (including handling and dissemination of inside information), risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

The Company has also in place the Anti-Fraud and Whistle-Blowing Policy to safeguard against corruption and bribery. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Internal Audit Department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organises anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The management will highlight all significant matters to the Board and audit committee members from time to time.

During the year ended 31 December 2022, the audit committee of the Company, through the engagement of Amba Partners Corporate Services Limited ("Amba"), reviewed the adequacy and effectiveness of the Group's system of risks management and internal control procedures in connection with risk management process, resources, qualifications, and experience of staff of accounting, internal audit and financial reporting function, sales process, cash and treasury management process and fixed assets management process. The procedures are performed in connection with the Company's operation in Hong Kong and PRC.

Amba has reported to the audit committee that they have identified, evaluated and managed risks during the year ended 31 December 2022, based on their procedures performed, and reported that no significant deficiencies were identified and recommendations on the various aspects had been suggested to audit committee and management for their consideration.

The audit committee also reported such findings and recommendations to the Board for the improvement of the risk management and internal control systems of the Group and the Board considered that all recommendations should be properly followed to ensure the adequacy and effectiveness of the risk and internal control systems of the Group can be maintained.



## Corporate Governance Report (Continued)

In addition, the Board had received confirmation from the management that:

- The financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and
- The risk management and internal control systems of the Group are effective.

Based on the framework for risk management and internal control system established by the Group, the Board and the audit committee admitted that through the review of risk management and internal control systems of the Group, it can evaluate and improve its effectiveness, and the Board, with the concurrence of the audit committee, considered that such systems including financial, operational and compliance were effective and adequate for the Year based on the work performed and report prepared by Amba as well as the confirmation letter received by the management. The Company will perform the ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

The Company is adopting the recommendations from Amba to enhance its risk management and internal control procedures and would implement appropriate policies and programmes.

### Internal Audit

During the Year, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the Year.

### Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance ("SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasizes that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

## Corporate Governance Report (Continued)

### External Auditor's Remuneration

During the Year, the Company engaged RSM Hong Kong as the external auditor. The fee in respect of audit services provided by RSM Hong Kong for the Year amounted to HK\$690,000.

The audit committee has expressed its views to the Board that the level of fees paid/payable by the Company to the Company's external auditor for annual audit services is reasonable. There has been no major disagreement between the auditor and the management of the Company during the Year.

### Company Secretary

The Company appointed Ms. Wong Yuen Ki ("Ms. Wong"), an external service provider, as its company secretary with effect from 30 June 2022 in place of Ms. Cho Wing Han. The Company's assistant financial controller is the primary contact person to Ms. Wong at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Ms. Wong are set out under the section headed "Biographical Details of Directors of the Company and Senior Management" of this annual report. During the Year, Ms. Wong, undertook no less than 15 hours' professional training to update her skill and knowledge in compliance with the CG Code.

### Changes in Constitutional Documents

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the Year, there has been no changes in the constitutional documents of the Company.

### Non-competition Undertaking from Controlling Shareholders

The controlling shareholder (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their associates have not breached the terms of the undertaking contained in the Non-competition Deed during the Year.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by the controlling shareholder, is of the view that the controlling shareholder has been in compliance with the non-competition undertaking in favour of the Company for the Year.

## Corporate Governance Report (Continued)

### Shareholders' Rights

#### The Way by which Shareholders can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, 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.

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the Company's website at [www.takbogroup.com](http://www.takbogroup.com).

#### The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

## Corporate Governance Report (Continued)

### Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company. The Company has in place a Communication Policy – Shareholders and External Parties which aims at promoting channels for shareholders to communicate their views on various matters affecting the Company and how the Company solicits and understand the views of shareholders and stakeholders. The Board reviews the implementation and effectiveness of the Communication Policy at least annually.

Save as mentioned under the sub-heading “The Procedures for Sending Enquiries to the Board” above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at [www.takbogroup.com](http://www.takbogroup.com). It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 12 May 2023 (Friday). At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

### Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the “Dividend Policy”) on 9 November 2018 in compliance with the CG Code to the GEM Listing Rules, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company’s ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders’ approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Hong Kong, 28 March 2023

# Environmental, Social and Governance Report

## About the Group

The Group principally engages in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. We are dedicated to creating from concepts to innovative and multifunctional designs that worth for values for our customers' needs. We provide products with the highest quality to our customers through design, marketing and manufacturing solutions and from design, development to delivery. We believe that with our successful operation for approximately 19 years in beauty products manufacturer business in the PRC, we have become a well-known manufacturer of beauty products.

## About this Report

Takbo Group Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present its Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects

## Statement by the Board of Directors

The Group is dedicated to responsible operations and creating value for stakeholders and the community by incorporating environmental and social factors into management decisions. Our sustainability strategy is founded on compliance with legal requirements in our operating areas and input from stakeholders. Prioritizing sustainability is critical to our growth and achieving long-term competitiveness.

Our ESG strategy covers operations, compliance, internal control and human resources. The board of directors is responsible for ensuring the effectiveness of our ESG framework and overseeing the preparation of our report. We have established policies to manage and monitor operational risks related to the environment and society. This report outlines the policies, relevant data, and management approaches to sustainable development in different areas.

Board of Directors regularly reviews progress to meet stakeholder expectations.

## Environmental, Social and Governance Report (Continued)

### Standards and Steps of Evaluation

The Group has adopted the principle of materiality in the environmental, social and governance (“ESG”) reporting by understanding the key ESG issues that are important to the business of the Group. All the key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 20 of the GEM Listing Rules) and the guidelines of the Global Reporting Initiative (the “GRI”).

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

#### Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality and the importance of each ESG area to the Group were determined through internal discussion of the management and based on the recommendation of ESG Reporting Guide (Appendix 20 of the GEM Listing Rules).

#### Step 2: Prioritisation – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

#### Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with the ESG Reporting Guide.

The procedures above have been carried out, and this Report will discuss these ESG areas that are material to the Group.

# Environmental, Social and Governance Report (Continued)

## Reporting Period and Scope

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2022 to 31 December 2022, which are in line with the financial year covered by the Group's 2022 Annual Report.

This Report is prepared in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with "mandatory disclosure requirements" and "comply or explain" provisions in the GEM Listing Rules.

There are no significant changes in the scope of this ESG report from that of the 2021 ESG report published in 2022. This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities – the design, development, manufacture and sale of beauty products; and the design, development and sale of beauty bags in the People's Republic of China (the "PRC") and Hong Kong ("HK"). The Group has adopted the taken the latest Environmental, Social and Governance Reporting Guide as the basis for reviewing and updating the relevant information and data of its operations in prior periods.

This Report shall be published both in Chinese and English together with the annual report on the website of Stock Exchange and the website of the Group. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## Stakeholder Engagement and Feedback

The Group recognizes that its success is dependent on the support of its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence outcomes within the Group; and (c) are interested in, affected by, or have potential to be affected by the impact of the Group's activities, products, services, and relationships. This understanding enables the Group to identify and manage risks and opportunities.

We remain committed to maintaining effective communication and cultivating positive relationships with each of our key stakeholders.

Stakeholders are prioritized based on the Group's roles and duties, strategic plans, and business initiatives. We engage with our stakeholders to foster mutually beneficial relationships, seek their input on our business proposals and initiatives, and promote sustainability in the marketplace, workplace, community, and environment.

The Group recognizes the significance of insights, inquiries, and ongoing interest from stakeholders in our business activities. We have identified key stakeholders that are integral to our business and established multiple channels for communication.

## Environmental, Social and Governance Report (Continued)

The Group's stakeholders primarily consist of: government, shareholders and investors, employees, customers, suppliers/partners, financial institutions, media, and the public and community. The table below outlines the channels and methods we use to communicate with our key stakeholders.

Stakeholder	Expectation	Engagement channel	Measures
<b>Government</b>	<ul style="list-style-type: none"> <li>- To comply with the laws</li> <li>- Proper tax payment</li> <li>- Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>- On-site inspections and checks</li> <li>- Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>- Annual reports</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (e.g. accepted 1-2 on-site inspections throughout the year), and actively undertook social responsibilities</li> </ul>
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>- Low risk</li> <li>- Return on the investment</li> <li>- Information disclosure and transparency</li> <li>- Protection of interests and fair treatment of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Annual general meeting and other shareholder meetings</li> <li>- Annual report, announcements</li> </ul>	<ul style="list-style-type: none"> <li>- Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars and three periodic reports in total in the year. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing once. Disclosed company contact details on website and in reports and ensured all communication channels available and effective</li> </ul>



## Environmental, Social and Governance Report (Continued)

Stakeholder	Expectation	Engagement channel	Measures
<b>Employees</b>	<ul style="list-style-type: none"> <li>– Safeguard the rights and interests of employees</li> <li>– Working environment</li> <li>– Career Development opportunities</li> <li>– Self-actualization</li> <li>– Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>– Training, seminars, briefing sessions</li> <li>– Cultural and sport activities</li> <li>– Newsletters</li> <li>– Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organizing employee activities</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>– Safe and high-quality products</li> <li>– Stable relationship</li> <li>– Information transparency</li> <li>– Integrity</li> <li>– Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>– Website, brochures</li> <li>– Email and customer service hotline</li> <li>– Regular meeting</li> </ul>	<ul style="list-style-type: none"> <li>– Established laboratory, strengthened quality management to ensure stable production and smooth transportation, and entered into long-term strategic cooperation agreements</li> </ul>
<b>Suppliers/ Partners</b>	<ul style="list-style-type: none"> <li>– Long-term partnership</li> <li>– Honest cooperation</li> <li>– Fair, open</li> <li>– Information resources sharing</li> <li>– Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>– Business meetings, supplier conferences, phone calls, interviews</li> <li>– Regular meeting</li> <li>– Review and assessment</li> <li>– Tendering process</li> </ul>	<ul style="list-style-type: none"> <li>– Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors</li> </ul>
<b>Financial Institution</b>	<ul style="list-style-type: none"> <li>– Compliance with the law and regulations</li> <li>– Disclosure information</li> </ul>	<ul style="list-style-type: none"> <li>– Consulting</li> <li>– Information disclosure</li> <li>– Reports</li> </ul>	<ul style="list-style-type: none"> <li>– Complied with regulatory requirements in a strict manner, disclosed and reported true information in a timely and accurate manner according to law</li> </ul>

## Environmental, Social and Governance Report (Continued)

Stakeholder	Expectation	Engagement channel	Measures
<b>Media</b>	<ul style="list-style-type: none"> <li>- Transparent information</li> <li>- Communication with media</li> </ul>	<ul style="list-style-type: none"> <li>- Website</li> <li>- Interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Organized media gathering to enhance the communication with media</li> </ul>
<b>Public and communities</b>	<ul style="list-style-type: none"> <li>- Community involvement</li> <li>- Social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>- Charity and social investment</li> <li>- Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>- Gave priority to local people seeking jobs from the Company so as to promote community building and development</li> <li>- Donation of our company's products to the community</li> </ul>

Through regular communication with stakeholders, the Group gains insight into their expectations and suggestions. This feedback enables us to make more informed decisions and better assess and manage relevant impacts.

We welcome your feedback on our ESG initiatives and ESG report. Please contact us at [Enquiries@TakboGroup.com](mailto:Enquiries@TakboGroup.com).

# Environmental, Social and Governance Report (Continued)

## Materiality Assessment

During the reporting period, the Group has conducted a comprehensive materiality assessment to identify the relevant areas with the highest impact to the Group. The following matrix summarises the key ESG areas of the Group.



## Environmental, Social and Governance Report (Continued)

### Environmental Aspects

The Group is committed to reduce the impact of its operations on the environment and be accountable for the resources and materials that the Group used in its daily operations. We are dedicated to continuously improving the environmental sustainability of our business, ensuring that environmental protection remains a top priority in our daily operations, and fulfilling our obligations to both the environment and community.

### Emission

The Group is subject to various PRC and local environmental laws and regulations related to the operations, including the “Environmental Protection Law of the People’s Republic of China”. During the reporting period, the Group had no material non-compliance regarding environmental or emission issues.

### Air Pollutant Emission

The primary source of air pollutants for the Group is fuel consumption by our factory machinery and vehicles. We have taken steps to reduce air pollutants by formulating plans for their reduction. In the next three years, we aim to reduce fuel consumption by 5% by replacing fuel vehicles with EVs and utilize travel routes.

To mitigate air pollutant emissions from the production process, the Group collects and treats them using activated carbon and carbon fiber absorption, thereby reducing emissions into the atmosphere. The following table provides details of air pollutant emissions during the reporting period:

Air pollutants	Unit	2022	2022	2022	2021
		PRC	HK	Total	Total
Nitrogen oxides (NO <sub>x</sub> )	kg	595.58	20.22	<b>615.8</b>	<b>724.64</b>
Sulfur dioxide (SO <sub>2</sub> )	kg	68.88	0.95	<b>69.83</b>	<b>82.41</b>
Particulate matter (PM)	kg	41.82	3.37	<b>45.19</b>	<b>92.47</b>

## Environmental, Social and Governance Report (Continued)

### Greenhouse Gas (“GHG”) Emission

The Group actively manages our carbon footprint by optimizing energy and water usage efficiency, as these activities are major contributors to greenhouse gas (GHG) emissions. Production activities are the primary source of GHG emissions for the Group. We are currently reviewing methods to enhance the effectiveness of GHG emissions in our operations, and committed to reducing our GHG emissions and implementing sustainable practices to mitigate our environmental impact.

During the reporting period, the following table provides details of our GHG emissions:

GHG emission <sup>1</sup>	Unit	2022 PRC	2022 HK	2022 Total	2021 Total
Scope 1 <sup>2</sup>	tonnes of CO <sub>2</sub> -e	76.41	2.34	<b>78.75</b>	<b>90.13</b>
Scope 2 <sup>3</sup>	tonnes of CO <sub>2</sub> -e	1,794.95	29.57	<b>1,824.52</b>	<b>2,198.68</b>
Total	tonnes of CO <sub>2</sub> -e	1,871.36	31.91	<b>1,903.27</b>	<b>2,288.81</b>
GHG emission intensity	PRC: tonnes of CO <sub>2</sub> -e/ tonnes of production HK: tonnes of CO <sub>2</sub> -e/m <sup>2</sup>	<b>0.78</b>	<b>0.01</b>		

### Use of Resources

#### Hazardous and Non-hazardous Wastes

Hazardous wastes produced by the Group during its production process are handled in accordance with the relevant PRC laws and regulations. The Group has commissioned a qualified contractor to handle or dispose of certain toxic liquid and solid waste. Furthermore, in terms of the production facilities, the Group has enhanced its systems to reduce the generation of wastewater and waste, to improve and monitor sewerage discharge, as well as to treat, store and dispose of chemical and solid materials and waste.

<sup>1</sup> The calculation of the greenhouse gas emission is based on the “Corporate Accounting and Reporting Standard” from greenhouse gas protocol.

<sup>2</sup> Scope 1: Direct emission from sources that are owned or controlled by the Group.

<sup>3</sup> Scope 2: Indirect emissions from purchased electricity consumed by the Group.

## Environmental, Social and Governance Report (Continued)

Non-hazardous wastes generated from the Group includes paper, plastic, metal and food wastes. The Group has implemented various measures to reduce wastes in the daily operation. By continuing to enhance its production system and further education to employees, the Group aims to maintain similar level of waste in the next two years.

The wastes generated by the Group during the reporting period are as follows:

<b>Waste disposal</b>	<b>Unit</b>	<b>2022 PRC</b>	<b>2022 HK</b>	<b>2022 Total</b>	<b>2021 Total</b>
Hazardous wastes produced	tonnes	0.06	–	<b>0.06</b>	<b>0.06</b>
Hazardous wastes produced intensity	tonnes/tonnes of production	0.0002	–	<b>0.0002</b>	<b>0.0002</b>
Non-hazardous wastes produced	tonnes	2.65	–	<b>2.65</b>	<b>2.65</b>
Non-hazardous wastes produced intensity	tonnes/employee	0.0006	–	<b>0.0006</b>	<b>0.0006</b>

The Group put effort in recycling different waste materials. The Group will continue to promote paper-saving measures, encourage double-sided printing of paper, enhance recycling, and suggest employees to store and share documents digitally instead of printing and distributing paper copies. The Group aims to reduce the volume of its waste by 5% in the next three years.

The amount of non-hazardous wastes recycled during the reporting period is as follows:

<b>Non-hazardous wastes recycled</b>	<b>Unit</b>	<b>2022 PRC</b>	<b>2022 HK</b>	<b>2022 Total</b>	<b>2021 Total</b>
Plastic and paper	tonnes	2.62	–	<b>2.62</b>	<b>3.51</b>
Metal	tonnes	1.02	–	<b>1.02</b>	<b>1.17</b>
Non-hazardous wastes recycled intensity	tonnes/employee	0.02	–	<b>0.02</b>	<b>0.02</b>

### Wastewater

To ensure compliance with national safety standards, the Group has obtained a pollutant emission permit for wastewater generated during our production process. After undergoing proper treatment, the recycled wastewater is utilized within our facilities to alleviate the strain on city sewers and sewage treatment facilities.

We have commissioned an experienced wastewater treatment company to formulate a wastewater treatment process. Suppliers also need to provide safety certifications for raw materials, hence, this can prevent the hazardous wastewater from being produced during our production process. During the reporting period, 7,713 m<sup>3</sup> (2021: 8,390 m<sup>3</sup>) of wastewater was treated and discharged according to the national safety standards.

## Environmental, Social and Governance Report (Continued)

### Energy

The Group is dedicated to enhancing our energy-saving measures and improving our energy-saving performance. We have already implemented several measures, including optimizing our production processes to reduce our energy consumption. Our facilities are also exploring green management measures, such as turning off lights and equipment when not in use, using energy-efficient lighting, optimizing temperature control, implementing power-saving settings and using of natural light. By implementing these measures, a workplace can significantly reduce energy consumption and contribute to a more sustainable environment.

With the energy-saving initiatives including those listed above, the Group aims to reduce the volume of its energy consumption by 3% in 2023. During the reporting period, the energy consumption is as follows:

Energy consumption	Unit	2022 PRC	2022 HK	2022 Total	2021 Total
Purchased electricity	kWh in '000	1,366.0	53.4	<b>1,419.4</b>	<b>1,438.20</b>
Diesel	kWh in '000	78.2	–	<b>78.2</b>	<b>214.68</b>
Petrol	kWh in '000	14.1	1.6	<b>15.7</b>	<b>24.5</b>
<b>Total energy consumption</b>	<b>kWh in '000</b>	<b>1,458.3</b>	<b>55.0</b>	<b>1,513.3</b>	<b>1,677.38</b>
Energy consumption intensity	PRC: kWh in '000/tonnes of production HK: kWh in '000/m <sup>2</sup>	<b>0.61</b>	<b>0.01</b>		

### Water

Water is also another important resource used for the daily operation of the Group. To conserve water, the water used for cleaning purposes is recycled for washing to control dust level in the Cosbe Facility in the PRC. In HK, the water supply service in the office is provided by the building management company. In this case, water consumption data is not available. Although the use of water has increased due to cleaning needs increase, the Group still raise the awareness of employees about water saving through different channels. In 2023, the Group aims to resume the volume of its water consumption as last year.

The water consumption during the reporting period is as follow:

Water consumption	Unit	2022 PRC	2022 HK	2022 Total	2021 Total
Water consumption	m <sup>3</sup>	N/A	9,641	<b>9,641</b>	<b>10,476</b>
Water consumption intensity	PRC: m <sup>3</sup> /tonnes of production	N/A	3.92	<b>3.92</b>	<b>4.26</b>

## Environmental, Social and Governance Report (Continued)

### Packaging Materials

The major packaging materials used in our manufacture business in the PRC are paper, metal and plastic. The consumption of those materials is as follows:

<b>Packaging materials consumption</b>	<b>Unit</b>	<b>2022 PRC</b>	<b>2022 HK</b>	<b>2022 Total</b>	<b>2021 Total</b>
Paper	tonnes	–	1,218.91	<b>1,218.91</b>	<b>1,297.11</b>
Plastic	tonnes	–	595.85	<b>595.85</b>	<b>635.53</b>
Metal	tonnes	–	4.01	<b>4.01</b>	<b>4.31</b>
Packaging materials consumption intensity	PRC: tonnes/tonnes of production	–	0.45	<b>0.45</b>	<b>0.45</b>

### The Environment and Natural Resources

The Group recognises its potential impact on the environment in its daily operations and the Group is committed to minimise the significant impact on the environment and natural resources, we have put water saving and energy saving as the main focuses in our policies and have set up related monitoring policies and control initiatives.

This include using usable wastewater as sprinkle water to reduce dust in the park and prioritizing sustainability in product design without compromising production efficient. In terms of product design, we implement strict supervision to improve material utilization and minimize wastage.

### Climate change

In 2023, although the Group may face climate change challenges, such as extreme weather events and water scarcity. These issues can impact the Group's operation, however, the Group was not affected materially by any climate-related issues, we are committed to promoting environmental protection and enhancing employees' awareness of environmental protection.

The Group is committed to minimizing the potential impact of severe climate change. We have established policies on environmental health and safety, as well as working conditions, to ensure the safety of our employees. We provide education and training to our employees to raise their safety awareness and skills, and to promote self-protection. Through these initiatives, we prioritize the safety and health of our employees and strive to minimize our environmental impact.



## Environmental, Social and Governance Report (Continued)

### Employment and Labour Practices

#### Employment

The Group considers people to be its most valuable assets and believes that competent staff is essential to the success and development of the Group. To ensure fair and equal treatment of employees, the Group has established policies for recruitment, promotion, resignation, working hours, equal opportunities, and compensation benefits. These policies promote fair competition and apply the principle of equal opportunities in all aspects of employment. The Group hires employees based on merit and treats all employees equally, regardless of their nationality, race, gender, age, religion and marital status. The Group continuously strives to improve its human resources management practices and foster a positive and inclusive work environment.

The Group also advocates harmonious and work-life balance culture through organising a diversified choice of activities for employees. We organised annual dinner and employee gatherings in 2022. Those activities can enable employees to relax and enhance the communications among employees.

The adoption of these human resources policies and procedures also ensures the Group's compliance with the relevant labour laws and regulations where it operates, including "Employment Ordinance" in HK and "Labour Law of the People's Republic of China". During the reporting period, there was no non-compliance related to applicable employment laws and regulations.

As at 31 December 2022, the Group has 164 employees in total. The employee figures and employee turnover rate (in percentages) by gender, employment type, age group, geographical region and employee mode were as follows:

		Number	Turnover rate
<b>By Title</b>	Senior Management	9	0%
	Mid-levels	25	8%
	General staff	130	2%
<b>By Gender</b>	Male	53	9%
	Female	111	13%
<b>By Age Group</b>	30 or below	61	12%
	31–40	69	14%
	41–50	26	15%
	51 or above	8	0%
<b>By Geographical Region</b>	PRC	150	10%
	HKSAR	14	11%
<b>By Employment Mode</b>	Full-time	164	12%
	Non-full-time	–	0%

## Environmental, Social and Governance Report (Continued)

### Health and Safety

The Group is committed to providing a healthy and safe workplace for all its employees. We take work safety seriously in our facility and have established measures to promote work safety and to ensure compliance with applicable laws and regulations in the PRC.

The Group places a high priority on the safety and well-being of its employees. We provide work safety trainings to our employees, including training on production line safety, identification of hazardous accidents, emergency planning, and contingency measures. Additionally, we ensure that all employees are familiar with the applicable laws, policies, and procedures to prevent work safety hazards. By prioritizing employee safety and providing comprehensive training and education, we aim to create a safe and healthy work environment for all employees.

We have established and reviewed a series of safety guidelines, rules and procedures for different aspects of our production activities, including sterilisation, chemicals handling and storage, fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. We have installed appropriate fire safety equipment.

The members of the Environmental, Health and Safety (“EHS”) committee carry out regular inspection and evaluation on the safety measures so as to continuously improve the working conditions and monitor the effectiveness of safety related controls. At the same time, the Group also collects opinions from employees on occupational health and safety.

In 2022, no concluded cases regarding health and safety brought against the issuer or its employees were noted. Besides, no cases regarding the number and rate of work-related fatalities or injury occurred for each of the past 3 years including the current reporting period.

## Environmental, Social and Governance Report (Continued)

### Development and Training

The Group has established a training program to continuously improve the professionalism and on-the-job skills of its employees. We encourage every employee at all levels to participate in training programs and prepare an annual training plan based on job performance and operational needs. Integrated on-the-job trainings are provided to employees in various departments, including production, engineering, procurement, commerce, HR, and business development, to maintain safety, product quality, and professional skills. By prioritizing employee development and providing relevant training and education, the Group aims to enhance overall performance and competitiveness.

In 2022, the detailed breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

<b>Training</b>	<b>Average training hours</b> (hours/employee)	<b>Percentage of employee trained</b> (%)
<b>By gender</b>		
– Male	22.2	100%
– Female	12	95%
<b>By employment category</b>		
Senior management	14.1	100%
Middle management	16.7	100%
General	23.0	100%

### Labour Standards

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group strictly complies with the relevant laws and regulations, such as “Employment Ordinance” in HK and “Labour Law of the People’s Republic of China”. According to the “Labour and Employment Management Procedures” of the Group, persons under 16 years of age are not allowed to work in the Group and there is zero tolerance to child labour and forced labour. The Group complies to the Provisions on the Special Protection of Juvenile Labour, including the prohibition of toxic, hazardous, high-temperature, low-temperature, intensive physical labour, and dangerous work. Our suppliers are expected to follow the same standard of labour practices when working with us.

During the reporting period, the Group did not find any cases related to child labour or forced labour. The Group did not find any suppliers that refuse to complies “Labour and Employment Management Procedures”.

Any violation of the “Labour and Employment Management Procedures” of the Company will be subject to criticism or disciplinary action, and may result in termination of employment.

## Environmental, Social and Governance Report (Continued)

### Operating Practices

#### Supply Chain Management

The Group relies on suppliers to provide production materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our suppliers. For example, we carefully select the suppliers based on a list of criteria such as ICTI\* compliance fulfilment, environmental certification, product quality, timely delivery, cooperation and price in accordance with the Group's internal policies including "Procurement and Supplier Management Procedures" and "Suppliers and Sub-contractors Social Responsibility Management Procedures". The Group maintains a long-term relationship with suppliers based on the results from the annual assessment, and will stop the partnership if the supplier fails the assessment.

The Group will also consider integrating green practices into its supply chain management to reduce environmental impact. By working with our suppliers, we aim to identify opportunities for environmentally friendly materials and processes, reduce waste and emissions, and improve energy efficiency.

During the reporting period, the Group has 185 suppliers which are located in the PRC, and the Group has not engaged any third-party procurement suppliers. Every supplier needs to be inspected and evaluated, and sign a letter of commitment on taking up social responsibility based on ICTI requirement before starting cooperation with the Group.

The Group irregularly checks the ICTI compliance with the suppliers and provides related trainings, including EHS training to the suppliers in order to prevent the suppliers from serious violation of relevant laws and regulations. If violation is observed from suppliers, the Group will suspend the cooperation.

#### Product Responsibility

The Group is in strict compliance with related laws and regulations, including "Product Quality Law of the People's Republic of China". During the year 2022, the Group did not discover any significant risk exposure in relation to the product responsibility, and there were no products sold or shipped subject to recalls for safety or health reasons.

#### Customer Complaints

The Group's department of commerce is responsible for dealing with the complaints from customers. Prompt response will be made and the problem will be tackled to prevent similar complaints from happening. During the year 2022, no complaints related to the quality of products were received by the Group. Regular customer satisfaction survey is carried out regularly for the continuous improvement of quality of products and services.

#### Intellectual Property Protection

Intellectual property is an area of substantial importance in the environment of the Group. The Group has implemented "Intellectual Property Policy and Procedure" to protect the manufacture and sale of beauty products under the trademarks of its own brands. The Group respect and committed to protect intellectual property owners, meanwhile the Group shall seek legal advice to protect the interest of the Group. For any new trademarks or any new brands to be licensed, the Group shall take all appropriate action to register and protect trademarks of its own brands in the jurisdictions in which products under these brands are sold.

\* ICTI Ethical Toy Program Certification requires factories to uphold various standards to support the rights and well-being of factory workers. For further information please visit <https://www.ethicaltoyprogram.org/>.

## Environmental, Social and Governance Report (Continued)

### ***Quality Assurance and Recall Procedures***

In order to enhance the quality of products and services provided by the Group, the Group has set up internal policies – “Product Inspection Procedures”, “Products Recall Guidelines” and other related procedures in accordance with the requirement of ISO 9001:2015 – Quality Management System. Inspections are performed in different stages of the production line before the products are packed for delivery to ensure the quality of products. Procedures for control of nonconforming products shall apply to protect customers against safety risks for any products which are inspected to be unqualified. If products are recalled for safety or below standard unfortunately, product recalling procedures and analysis shall be carried out to reduce similar incidents. In 2022, none of our products sold was subject to any recalls for safety and health reasons.

### ***Consumer Information Protection***

The Group respects consumer data privacy and is committed to preventing customer data leakage or loss. According to the Group’s “Customers Property Control Procedures”, collected consumer personal data and property are accessible only by authorised personnel and handled with care, and provided that the public interest is not involved, without the consent of the customer, it cannot be disseminated or leaked, nor used for commercial purposes. The Group complies with relevant consumer information protection laws and regulations. During the year 2022, no severe laws violation in this aspect was found to have posed significant impact on the Group.

### ***Anti-corruption***

The Group is committed to the highest possible standards of openness, honesty and accountability in all the affairs. The Group is determined to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, the Group implements related policies and procedures including “Anti-fraud and Whistle-blowing Policy” and “Anti-bribery and Anti-corruption Code of Conduct”. The Group has also applied the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities as the basis for developing regulations rules and regulations on internal integrity discipline and integrity administration.

These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. These principles are well conveyed to our employees through daily communication, trainings and workshops. Our customers, suppliers and contractors are expected to follow the same policy when working with us.

The Group has established a whistle-blowing mechanism that allows employees and the public to report suspicious cases and concerns in a confidential manner. Investigation of alleged fraud or fraudulent behaviour may be carried out internally or may be referred to the appropriate regulatory authorities. Reports shall be produced subsequently and submitted to the management for further action. If the allegation is determined to be materially true, the Group reserves the right to take all appropriate actions including terminating the employment of any perpetrators, reporting the fraud or fraudulent activities to appropriate government authorities and pursuing legal actions, both civil and criminal, against the perpetrators.

## Environmental, Social and Governance Report (Continued)

In 2022, the detailed breakdown of the number of persons who received training for anti-corruption and the training hours per person for anti-corruption by employment category is as follows:

	<b>Number of persons received training for anti-corruption</b>	<b>Training hours per person for anti-corruption</b>
Board member	4	1.5
Senior management	8	2.8
Middle management	22	3.4
General	130	3.9

The Group has been in strict compliance with the related local laws and regulations in the PRC and Hong Kong including “Prevention of Bribery Ordinance” of HK and all relevant anti-corruption laws in the PRC, such as “Criminal Law of the People’s Republic of China”, “Anti-unfair Competition Law of the People’s Republic of China” and “Interim Provisions on Banning Commercial Bribery of the People’s Republic of China”. During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees, or impose fines, penalties or sanctions on the Group or its employees.

### Community Investment

The Group is committed to supporting and contributing to the society by implementing related policies and measures to understand the needs of the community. Contribution to the community and maintaining a harmonious relationship with the stakeholders in the region of operation are crucial for the sustainable development of the Group.

With the emergence of the COVID-19 pandemic, the Group has taken the necessary pandemic preventive measures to protect the health of its employees from the pandemic in accordance with the relevant community requirements.

The Group is willing to participate in activities organised by the community in order to enhance the communication among different stakeholders. During the reporting period, we continued to support a number of charitable activities, including the donation of 39,840 sets of N95 masks to Hong Kong, the Group also donated HK\$5,000 to LivePlayLove Charity.

## Environmental, Social and Governance Report (Continued)

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# Independent Auditor's Report



## **To the Shareholders of Takbo Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **Opinion**

We have audited the consolidated financial statements of Takbo Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 151, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss 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 a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

### **Basis for Opinion**

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

## Independent Auditor's Report (Continued)

### Key Audit Matters

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

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><b>1. Impairment assessment of trade receivables</b></p> <p>Refer to note 4(v), note 6(b) and note 26 to the consolidated financial statements</p> <p>As at 31 December 2022, the Group had gross trade receivables of approximately HK\$21.0 million (2021: HK\$36.7 million) and provision for impairment of approximately HK\$6.0 million (2021: HK\$5.3 million).</p>	<p>Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2022 included:</p> <ul style="list-style-type: none"><li>• Understanding and evaluating the management's internal control and process of impairment assessment of trade receivables, assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, and validating the key controls that the Group has implemented to estimate the loss allowance for trade receivables;</li><li>• Evaluating the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process;</li></ul>

# Independent Auditor's Report (Continued)

## Key Audit Matters (Continued)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### 1. Impairment assessment of trade receivables (Continued)

In general, the credit terms granted by the Group to the customers ranged between 30 to 120 days (2021: 30 to 120 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, aging of the trade receivables, historical settlement records, expected timing and amount of realisation of outstanding balance, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of assumptions which are judgmental in nature and the calculation is subject to a higher degree of estimation uncertainty among the different accounting estimates applied by management in the preparation of the financial statements.

- Inquiring of management for the status of each of the material trade receivable past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing trading relationships with the customers based on trade records, checking settlement records of and other correspondence with the customers in order to identify customers with specific risk for impairment assessment and challenging the reasonableness of management's grouping of the trade debtors into different categories in the provision matrix; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the underlying key data inputs such as monthly aging profile of trade receivables balances on a sample basis to assess the accuracy and completeness of historical data and challenging the forward-looking information used to determine the adjustment made to historical loss rate in order to calculate the expected credit losses.

### Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 2022.

## Independent Auditor's Report (Continued)

### Other Information

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

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

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

### Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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



## Independent Auditor's Report (Continued)

### **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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report (Continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Leung Wan Yi Winnie.

#### **RSM Hong Kong**

*Certified Public Accountants*

29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

28 March 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> HK\$'000	2021 HK\$'000
<b>Revenue</b>	8	<b>209,300</b>	207,181
Cost of sales		<b>(138,733)</b>	(141,834)
<b>Gross profit</b>		<b>70,567</b>	65,347
Other income	9	<b>476</b>	1,939
Other (losses)/gains, net	10	<b>(10,228)</b>	140
Administrative expenses		<b>(40,272)</b>	(36,046)
Selling and distribution expenses		<b>(19,874)</b>	(26,035)
Provision for impairment losses on trade receivables	6(b)	<b>(1,354)</b>	(948)
<b>Operating (loss)/profit</b>		<b>(685)</b>	4,397
Finance income	12	<b>1,813</b>	289
Finance costs	12	<b>(270)</b>	(385)
Finance income/(costs), net	12	<b>1,543</b>	(96)
<b>Profit before taxation</b>		<b>858</b>	4,301
Income tax credit	13	<b>150</b>	76
<b>Profit for the year attributable to owners of the Company</b>	14	<b>1,008</b>	4,377
<b>Earnings per share</b>			
Basic, HK cents	17	<b>0.3</b>	1.1
Diluted, HK cents	17	<b>0.3</b>	1.1

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year attributable to owners of the Company</b>	<b>1,008</b>	4,377
<b>Other comprehensive income</b>		
Item that may be reclassified to profit or loss:		
– Exchange differences on translation of foreign operations	<b>(6,180)</b>	3,050
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>(5,172)</b>	7,427

# Consolidated Statement of Financial Position

At 31 December 2022

	<i>Notes</i>	<b>2022</b> HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	38,879	46,848
Right-of-use assets	19	11,701	15,285
Intangible asset	20	46	162
Prepayments and deposit		783	673
Deposit and prepayments for a life insurance policy	22	4,282	–
Deferred tax assets	24	1,188	1,350
		<b>56,879</b>	64,318
<b>Current assets</b>			
Inventories	25	3,640	2,889
Trade receivables	26	15,047	31,385
Prepayments, deposits and other receivables		5,285	13,147
Amount due from a related party	27	144	–
Financial assets at fair value through profit or loss (“FVTPL”)	23	1,950	2,356
Current tax assets		–	629
Short-term bank deposit	28	–	14,000
Bank and cash balances	28	180,462	140,499
		<b>206,528</b>	204,905
<b>Current liabilities</b>			
Derivative financial instruments	29	2,769	–
Trade payables	30	4,861	6,566
Contract liabilities	31	8,192	7,978
Lease liabilities	32	3,799	4,143
Accruals, provisions, and other payables	33	10,135	8,293
Amount due to a related party	27	–	81
Current tax liabilities		202	290
		<b>29,958</b>	27,351
<b>Net current assets</b>		<b>176,570</b>	177,554
<b>Total assets less current liabilities</b>		<b>233,449</b>	241,872

## Consolidated Statement of Financial Position (Continued)

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Non-current liabilities</b>			
Provision	33	393	393
Lease liabilities	32	8,342	11,593
		<b>8,735</b>	11,986
<b>NET ASSETS</b>			
		<b>224,714</b>	229,886
<b>CAPITAL AND RESERVES</b>			
Share capital	34	4,000	4,000
Share premium		56,188	56,188
Other reserves	35	2,961	9,116
Retained earnings		161,565	160,582
<b>TOTAL EQUITY</b>			
		<b>224,714</b>	229,886

Approved by the Board of Directors on 28 March 2023 and are signed on its behalf by:

**Or Naam**  
*Director*

**Chan Hoi Yan, Polly**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK\$'000	Share premium HK\$'000	Capital and other reserves (Note 35(a)) HK\$'000	Statutory reserve (Note 35(b)) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<b>At 1 January 2021</b>	4,000	56,188	46	2,760	2,874	156,591	222,459
Profit for the year	-	-	-	-	-	4,377	4,377
Other comprehensive income	-	-	-	-	3,050	-	3,050
Total comprehensive income for the year	-	-	-	-	3,050	4,377	7,427
Transactions with owners in their capacity as owners:							
Transfer to statutory reserve	-	-	-	386	-	(386)	-
<b>At 31 December 2021</b>	4,000	56,188	46	3,146	5,924	160,582	229,886
<b>At 1 January 2022</b>	4,000	56,188	46	3,146	5,924	160,582	229,886
Profit for the year	-	-	-	-	-	1,008	1,008
Other comprehensive income	-	-	-	-	(6,180)	-	(6,180)
Total comprehensive income for the year	-	-	-	-	(6,180)	1,008	(5,172)
Transactions with owners in their capacity as owners:							
Transfer to statutory reserve	-	-	-	25	-	(25)	-
<b>At 31 December 2022</b>	4,000	56,188	46	3,171	(256)	161,565	224,714

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		<b>858</b>	4,301
Adjustments for:			
Depreciation of property, plant and equipment	18	<b>5,953</b>	5,877
Depreciation of right-of-use assets	19	<b>3,965</b>	4,144
Amortisation of intangible asset	20	<b>102</b>	110
Provision for impairment losses on trade receivables	6(b)	<b>1,354</b>	948
Net fair value losses on financial assets at FVTPL	10	<b>423</b>	321
Realised loss on derivative financial instruments	10	<b>7,607</b>	–
Unrealised loss on derivative financial instruments	10	<b>2,739</b>	–
Finance income	12	<b>(1,813)</b>	(289)
Finance costs	12	<b>270</b>	385
Net premium charges on a life insurance policy		<b>788</b>	–
Foreign exchange difference on operating activities		<b>(2,415)</b>	2,026
<b>Operating profit before working capital changes</b>		<b>19,831</b>	17,823
(Increase)/decrease in inventories		<b>(751)</b>	14,485
Decrease in trade receivables		<b>14,984</b>	49,903
Decrease/(increase) in prepayments, deposits and other receivables		<b>7,862</b>	(3,512)
Increase in amount due from a related party		<b>(144)</b>	–
Decrease in trade payables		<b>(1,705)</b>	(16,925)
Increase/(decrease) in contract liabilities		<b>214</b>	(6,956)
Increase/(decrease) in accruals, provisions and other payables		<b>1,842</b>	(17,007)
(Decrease)/increase in amount due to a related party		<b>(81)</b>	217
<b>Cash generated from operations</b>		<b>42,052</b>	38,028
Income tax refunded		<b>828</b>	2,075
<b>Net cash generated from operating activities</b>		<b>42,880</b>	40,103



## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(1,514)</b>	(2,301)
Interest received		<b>1,813</b>	289
Decrease/(increase) in short-term bank deposit		<b>14,000</b>	(14,000)
Additions to deposit and prepayments for a life insurance policy		<b>(5,070)</b>	–
Additions to financial assets at FVTPL		<b>(17)</b>	(3,429)
Disposal of financial assets at FVTPL		<b>–</b>	4,366
Settlement of derivative financial instruments		<b>(7,607)</b>	–
<b>Net cash generated from/(used in) investing activities</b>		<b>1,605</b>	(15,075)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principle element of lease payments		<b>(4,215)</b>	(4,409)
Interest element of lease payments	19	<b>(270)</b>	(385)
<b>Net cash used in financing activities</b>		<b>(4,485)</b>	(4,794)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>40,000</b>	20,234
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>140,499</b>	119,028
<b>Effect of foreign exchange rate changes</b>		<b>(37)</b>	1,237
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>180,462</b>	140,499
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances	28	<b>180,462</b>	140,499

# Notes to the Consolidated Financial Statements

## 1 General Information

Takbo Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags.

The ultimate controlling parties of the Company are Mr. Or Naam, Ms. Chu Siu Fong (“Ms. Chu”) and Ms. Chan Hoi Yan Polly (“Ms. Chan”) (collectively the “Controlling Shareholders”). The ultimate holding company of the Company is Classic Charm Investments Limited (“Classic Charm”), and its place of incorporation and principal place of business is the British Virgin Islands (the “BVI”).

The Company became listed on the GEM of The Stock Exchange of Hong Kong Limited on 27 October 2017.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

## 2 Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Adoption of New and Revised Hong Kong Financial Reporting Standards

#### (a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020

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

#### (b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### (c) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and presentation currency.

##### (ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (c) Foreign currency translation (Continued)

##### (iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

#### (d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates as follows:

Leasehold improvements	20%
Plant and machinery	10% to 20%
Furniture and equipment	10% to 20%
Motor vehicles	10% to 25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

#### (e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### The Group as a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that has a lease term of 12 months or less and leases of low-value asset which, for the Group is primarily factory. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (e) Leases (Continued)

##### The Group as a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.



## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (e) Leases (Continued)

##### The Group as a lessee (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

#### (f) Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (h) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

#### (i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (j) 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 measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the instruments are held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instruments are calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”) – recycling, if the contractual cash flows of the instruments comprise solely payments of principal and interest and the instruments are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses (“ECL”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instruments are derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the instruments do not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instruments (including interest) are recognised in profit or loss.

#### Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

#### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

#### (m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### (n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (o) Equity instruments

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

#### (p) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (q) Revenue, other income and finance income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

##### (i) Sale of beauty products and bags and sample income

The Group manufactures and sells a range of beauty products and bags to customers. Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

##### (ii) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is recognised as it accrues using the effective interest method. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

##### (iii) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment are established.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (r) Employee benefits

##### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

##### (iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

##### (iv) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the end of reporting period. The liability recognised in the consolidated statement of financial position in respect of long service payments measured at the present value of estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of reporting period.

##### (v) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### (t) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (t) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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 and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

#### (u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.



## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (v) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables, amount due from a related party, bank and cash balances and instruments that are measured at amortised cost or at FVTOCI. 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 always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (v) Impairment of financial assets (Continued)

##### Significant increase in credit risk (Continued)

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;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- 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 financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial 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 fulfil its contractual cash flow obligations.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (v) Impairment of financial assets (Continued)

##### Significant increase in credit risk (Continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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 either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (v) Impairment of financial assets (Continued)

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

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. 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 described above. 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.

## Notes to the Consolidated Financial Statements (Continued)

### 4 Significant Accounting Policies (Continued)

#### (v) Impairment of financial assets (Continued)

##### Measurement and recognition of ECL (Continued)

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.

#### (w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

#### (x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## Notes to the Consolidated Financial Statements (Continued)

### 5 Critical Judgements and Key Estimates

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

##### (a) Significant increase in credit risk

As explained in note 4(v), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

##### (b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

#### Key sources of estimation uncertainty

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

## Notes to the Consolidated Financial Statements (Continued)

### 5 Critical Judgements and Key Estimates (Continued)

#### Key sources of estimation uncertainty (Continued)

##### (a) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured 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 effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables is HK\$15,047,000 (net of provision for impairment losses of HK\$5,951,000) (2021: HK\$31,385,000 (net of provision for impairment losses of HK\$5,344,000)).

##### (b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were HK\$38,879,000 (2021: HK\$46,848,000) and HK\$11,701,000 (2021: HK\$15,285,000) respectively.

##### (c) Income taxes and deferred income tax

Significant estimates is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax treatment is subject to judgment. If the Group considers it is probable that these estimates will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

The deferred income tax assets was amounted to HK\$1,188,000 as at 31 December 2022 (2021: HK\$1,350,000). The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

## Notes to the Consolidated Financial Statements (Continued)

### 5 Critical Judgements and Key Estimates (Continued)

#### Key sources of estimation uncertainty (Continued)

##### (d) Fair value of derivative financial instruments

As disclosed in note 29 to the financial statements, the fair value of derivative financial instruments at the end of the reporting period were determined using the income approach.

The carrying amount of derivative financial instruments as at 31 December 2022 was a liability of HK\$2,769,000 (2021: nil).

### 6 Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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.

#### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities HK\$, United States dollars ("US\$") and Renminbi ("RMB"). The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Since HK\$ is pegged to US\$, the directors are of the opinion that the foreign exchange risk arising from US\$ of the Group is insignificant.

#### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposit and prepayments for a life insurance policy, deposits with banks, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from deposit and prepayments for a life insurance policy and cash and cash equivalents is limited because the counterparties are insurance company and banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.



## Notes to the Consolidated Financial Statements (Continued)

### 6 Financial Risk Management (Continued)

#### (b) Credit risk (Continued)

##### Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group classifies its trade receivables by nature of customer accounts. These include overseas customers and the customers in the People's Republic of China (the "PRC"). The loss allowances as at 31 December 2022 and 31 December 2021 were determined as follows:

	<b>Overall lifetime ECL rate</b>	<b>Gross carrying amount HK\$'000</b>	<b>Lifetime ECL HK\$'000</b>	<b>Net carrying amount HK\$'000</b>
<b>At 31 December 2022</b>				
<b>Provision for impairment losses on trade receivables</b>				
Overseas customers	8.3%	11,591	957	10,634
The PRC customers	53.1%	9,407	4,994	4,413
		<b>20,998</b>	<b>5,951</b>	<b>15,047</b>
<b>At 31 December 2021</b>				
<b>Provision for impairment losses on trade receivables</b>				
Overseas customers	11.1%	24,788	2,762	22,026
The PRC customers	21.6%	11,941	2,582	9,359
		<b>36,729</b>	<b>5,344</b>	<b>31,385</b>

## Notes to the Consolidated Financial Statements (Continued)

### 6 Financial Risk Management (Continued)

#### (b) Credit risk (Continued)

##### Trade receivables (Continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for trade receivables during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	5,344	4,264
Provision for impairment losses on trade receivables	1,354	948
Receivables written off as uncollectible	(572)	–
Exchange difference	(175)	132
At 31 December	5,951	5,344

##### Financial assets at amortised cost

All of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers a financial asset to be low credit risk when they have a low default risk and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables, amount due from a related party, short-term bank deposit and bank and cash balances.

## Notes to the Consolidated Financial Statements (Continued)

### 6 Financial Risk Management (Continued)

#### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

#### At 31 December 2022

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
Trade payables	4,861	–	–	4,861
Accruals, provisions, and other payables	10,135	–	–	10,135
Lease liabilities	4,034	4,858	3,794	12,686
	19,030	4,858	3,794	27,682

#### At 31 December 2021

	Less than 1 year HK\$'000 (Re-presented)	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000 (Re-presented)
Trade payables	6,566	–	–	6,566
Accruals, provisions, and other payables	8,293	–	–	8,293
Lease liabilities	4,430	5,743	6,363	16,536
Amount due to a related party	81	–	–	81
	19,370	5,743	6,363	31,476

## Notes to the Consolidated Financial Statements (Continued)

### 6 Financial Risk Management (Continued)

#### (d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates that vary with then prevailing market condition.

At 31 December 2022, if interest rates had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK\$415,000 (2021: HK\$537,000 (re-presented)) lower, arising mainly as a result of lower interest income on bank balances. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$415,000 (2021: HK\$537,000 (re-presented)) higher, arising mainly as a result of higher interest income on bank balances.

#### (e) Categories of financial instruments as at 31 December 2022

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
<b>Financial assets</b>		
Financial assets at FVTPL:		
– Listed equity securities	1,950	2,356
Financial assets measured at amortised cost	202,738	195,455
<b>Financial liabilities</b>		
Derivative financial instruments	2,769	–
Financial liabilities at amortised cost	27,137	30,676

#### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## Notes to the Consolidated Financial Statements (Continued)

### 7 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

(a) Disclosures of level in fair value hierarchy at 31 December 2022:

Description	Fair value measurements using:			Total 2022 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities	1,950	–	–	1,950
<b>Recurring fair value measurements:</b>				
<b>Financial liabilities</b>				
Derivatives				
Foreign currency forward contracts	–	2,769	–	2,769

## Notes to the Consolidated Financial Statements (Continued)

### 7 Fair Value Measurements (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2022: (Continued)

Description	Fair value measurements using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2021 HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities	2,356	–	–	2,356

(b) Reconciliation of assets measured at fair value based on level 3:

Description	2021 Financial assets at FVTPL non- guaranteed interest bearing financial product HK\$'000
At 1 January	3,540
Fair value gain on financial assets at FVTPL	145
Exchange difference	74
Disposal	(3,759)
At 31 December	–

The total gains or losses recognised in profit or loss are presented in other gains/losses in the consolidated statement of profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

### 7 Fair Value Measurements (Continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques used in fair value measurements at 31 December 2022:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of directors of the Company for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors of the Company at least twice a year.

#### Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value			
			2022		2021	
			Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Derivatives – foreign currency forward contracts	Income approach	Market forward rate  Time to maturity  Risk-free rate  Fair value of forward contract without credit valuation adjustment/ debit valuation adjustment  Credit rating  Credit valuation adjustment/debit valuation adjustment	–	2,769	–	–

## Notes to the Consolidated Financial Statements (Continued)

### 8 Revenue

#### Disaggregation of revenue

The Group is principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags. Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products		
Sales of beauty products		
– Cosmetic and other products	168,431	162,059
– Hand sanitiser	10,824	30,456
Sales of beauty bags	30,045	14,666
	<b>209,300</b>	207,181
Timing of revenue recognition:		
At a point in time	209,300	207,181



## Notes to the Consolidated Financial Statements (Continued)

### 8 Revenue (Continued)

#### Disaggregation of revenue (Continued)

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

	Design, development, manufacture and sale of beauty products		Design, development and sale of beauty bags		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Primary geographical markets</b>						
United States of America ("USA")	108,928	148,916	29,149	4,920	138,077	153,836
The PRC	17,716	16,480	–	–	17,716	16,480
Mexico	4,766	11,319	–	3,264	4,766	14,583
Belgium	2,532	1,730	–	–	2,532	1,730
Canada	4,013	–	–	4,873	4,013	4,873
United Kingdom	20,830	4,408	–	–	20,830	4,408
Ireland	14,027	4,836	–	–	14,027	4,836
Hong Kong	5,677	4,266	–	–	5,677	4,266
Other countries	766	560	896	1,609	1,662	2,169
	<b>179,255</b>	192,515	<b>30,045</b>	14,666	<b>209,300</b>	207,181
<b>Timing of revenue recognition</b>						
Products transferred at a point in time	<b>179,255</b>	192,515	<b>30,045</b>	14,666	<b>209,300</b>	207,181

## Notes to the Consolidated Financial Statements (Continued)

### 9 Other Income

	2022 HK\$'000	2021 HK\$'000
Dividend income	49	25
Sample income	52	112
Government grants ( <i>note (a)</i> )	335	1,635
Others	40	167
	<b>476</b>	<b>1,939</b>

Note:

- (a) In 2022, the Group recognised government grants of HK\$335,000 (2021: nil) in respect of COVID-19 related subsidies, of which HK\$335,000 (2021: nil) relates to Employment Support Scheme provided by the Hong Kong government. The Group has complied all attached conditions before 31 December 2022. In 2021, government grants represented a grant obtained from the government in the PRC to subsidise to the operating costs of a subsidiary. There were no unfulfilled conditions attached to this grant as at the end of the year.

### 10 Other (Losses)/Gains, Net

	2022 HK\$'000	2021 HK\$'000
Exchange gains, net	507	461
Net fair value losses on financial assets at FVTPL	(423)	(321)
Realised loss on derivative financial instruments	(7,607)	–
Unrealised loss on derivative financial instruments	(2,739)	–
Others	34	–
	<b>(10,228)</b>	<b>140</b>

## Notes to the Consolidated Financial Statements (Continued)

### 11 Segment Information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker. These reports are prepared on the same basis as these consolidated financial statements.

The management has identified two operating segments based on the types of goods, namely (i) design, development, manufacture and sale of beauty products and (ii) design, development and sale of beauty bags.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profit do not include unallocated administrative expenses, selling and distribution expenses, other income, other gains and losses, finance income and costs and income tax credit.

(a) The segment information provided to the chief operating decision-maker are as follows:

#### For the year ended 31 December 2022

	Design, development, manufacture and sale of beauty products HK\$'000	Design, development and sale of beauty bags HK\$'000	Total HK\$'000
Revenue from external customers	179,255	30,045	209,300
Intersegment revenue	121,884	8,862	130,746
Segment profit	94,869	10,358	105,227

## Notes to the Consolidated Financial Statements (Continued)

### 11 Segment Information (Continued)

(a) The segment information provided to the chief operating decision-maker are as follows: (Continued)

For the year ended 31 December 2021

	Design, development, manufacture and sale of beauty products HK\$'000	Design, development and sale of beauty bags HK\$'000	Total HK\$'000
Revenue from external customers	192,515	14,666	207,181
Intersegment revenue	120,021	–	120,021
Segment profit	81,993	4,223	86,216

### (b) Reconciliations of segment revenue and profit or loss

	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	340,046	327,202
Elimination of intersegment revenue	(130,746)	(120,021)
Consolidated revenue	209,300	207,181
<b>Profit or loss</b>		
Total profit or loss of reportable segments	105,227	86,216
Elimination of intersegment profit	(34,660)	(20,869)
Other income	476	1,939
Other (losses)/gains, net	(10,228)	140
Administrative expenses	(40,272)	(36,046)
Selling and distribution expenses	(19,874)	(26,035)
Provision for impairment losses on trade receivables	(1,354)	(948)
Finance income/(costs), net	1,543	(96)
Consolidated profit before taxation	858	4,301

## Notes to the Consolidated Financial Statements (Continued)

### 11 Segment Information (Continued)

#### (c) Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
USA	138,077	153,836	–	–
The PRC	17,716	16,480	47,370	57,882
Mexico	4,766	14,583	–	–
Belgium	2,532	1,730	–	–
Canada	4,013	4,873	–	–
United Kingdom	20,830	4,408	–	–
Ireland	14,027	4,836	–	–
Hong Kong	5,677	4,266	4,039	5,085
Other countries	1,662	2,169	–	–
Consolidated total	209,300	207,181	51,409	62,967

#### (d) Revenue from major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follow:

	2022 HK\$'000	2021 HK\$'000
<b>Design, development, manufacture and sale of beauty products segment</b>		
Customer A	86,303	89,238
Customer B	*	21,952
Customer C	21,172	*
<b>Design, development and sale of beauty bags segment</b>		
Customer A	21,088	8,280

\* The amount of revenue from such customer is less than 10% of the total revenue of that year.

## Notes to the Consolidated Financial Statements (Continued)

### 12 Finance Income/(Costs), Net

	2022 HK\$'000	2021 HK\$'000
<b>Finance income</b>		
Bank interest income	1,813	289
<b>Finance costs</b>		
Interest expense on lease liabilities ( <i>note 19</i> )	(270)	(385)
<b>Finance income/(costs), net</b>	<b>1,543</b>	<b>(96)</b>

### 13 Income Tax Credit

Income tax has been recognised in profit or loss as following:

	2022 HK\$'000	2021 HK\$'000
Current tax		
Provision for the year	608	4
Over-provision in prior year	(869)	(177)
	<b>(261)</b>	<b>(173)</b>
Deferred income tax ( <i>note 24</i> )	111	97
	<b>(150)</b>	<b>(76)</b>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2021: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2021: 16.5%). The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (2021: 16.5%).

## Notes to the Consolidated Financial Statements (Continued)

### 13 Income Tax Credit (Continued)

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%), except that Cosbe Laboratory Inc, a wholly owned subsidiary of the Group, was granted with the High and New Technology Enterprise status in December 2019, being valid for 3 years, and therefore it is entitled to a preferential tax rate of 15% (2021: 15%).

No overseas profits tax has been calculated for subsidiaries of the Group that are incorporated in the BVI, the Cayman Islands or USA as they have no assessable income for the reporting period (2021: nil).

The reconciliation between the income tax credit and the product of profit before tax multiplied by the applicable tax rates is as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	858	4,301
Tax calculated at a tax rate of 16.5% (2021: 16.5%)	141	709
Effect of different taxation rates in another jurisdiction	(7)	(101)
Tax effect of temporary difference	1,849	–
Tax effect of income that is not taxable	(538)	(24)
Tax effect of research and development tax credit	(736)	(697)
Tax effect of expenses that are not deductible	425	214
Tax losses utilised	(325)	–
Tax losses not recognised	75	–
Over-provision in prior year	(869)	(177)
Tax concession under two-tiered profits tax rates regime in Hong Kong	(165)	–
Income tax credit	(150)	(76)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

## Notes to the Consolidated Financial Statements (Continued)

### 14 Profit for the Year

The Group's profit for the year is stated after charging the following:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Auditor's remuneration	690	890
Amortisation of intangible asset	102	110
Cost of inventories sold	129,881	130,920
Depreciation of property, plant and equipment	5,953	5,877
Depreciation of right-of-use assets	3,965	4,144
Provision for impairment losses on trade receivables	1,354	948
Research and development expenditure	7,024	6,276

Cost of inventories sold includes staff costs of approximately HK\$10,920,000 (2021: HK\$14,524,000) which are included in the amounts disclosed separately.

### 15 Employee Benefit Expenses, excluding Benefits and Interests of Directors

	2022 HK\$'000	2021 HK\$'000
Salaries, bonuses and allowances	14,437	14,154
Pension costs – defined contribution plan ( <i>note</i> )	1,080	1,175
Other employee benefits	1,710	652
	<b>17,227</b>	<b>15,981</b>

*Note:* The Group maintains two defined contribution pension schemes for its employees in Hong Kong and the PRC under the Mandatory Provident Fund ("MPF") and Social Insurance Scheme respectively.



## Notes to the Consolidated Financial Statements (Continued)

### 15 Employee Benefit Expenses, excluding Benefits and Interests of Directors (Continued)

#### (a) Pensions – defined contribution plans

Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK\$1,500 per month. The contributions are fully and immediately vested for the employees. The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the Social Insurance Scheme, the Group is required to make monthly contributions for the employees pursuant to the PRC laws and regulations by making contributions to the mandatory social funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2021: three) directors whose emoluments are reflected in the analysis presented in note 16. The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Salaries, other allowances and benefits	1,011	954
Pension cost – defined contribution plan	36	29
	<b>1,047</b>	983

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
Nil to HK\$1,000,000	2	2

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

## Notes to the Consolidated Financial Statements (Continued)

### 16 Benefits and Interests of Directors

#### (a) Directors' emoluments

For the year ended 31 December 2022

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary					Total HK\$'000
	Fee HK\$'000	Salaries HK\$'000	Other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	
<b>Executive directors</b>						
Mr. Or Naam, Chief Executive Officer	-	2,275	1,687	900	18	4,880
Ms. Chan	-	2,145	-	900	18	3,063
Mr. Or Huen	-	2,187	-	900	18	3,105
<b>Independent non-executive directors</b>						
Mr. Tan Chong Huat	120	-	-	-	-	120
Mr. Sung Chi Keung	120	-	-	-	-	120
Mr. Hui Ha Lam	120	-	-	-	-	120
	360	6,607	1,687	2,700	54	11,408

For the year ended 31 December 2021

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary					Total HK\$'000
	Fee HK\$'000	Salaries HK\$'000	Other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	
<b>Executive directors</b>						
Mr. Or Naam, Chief Executive Officer	-	2,275	1,472	500	18	4,265
Ms. Chan	-	2,145	-	500	18	2,663
Mr. Or Huen	-	2,196	-	500	18	2,714
<b>Independent non-executive directors</b>						
Mr. Tan Chong Huat	120	-	-	-	-	120
Mr. Sung Chi Keung	120	-	-	-	-	120
Mr. Hui Ha Lam	120	-	-	-	-	120
	360	6,616	1,472	1,500	54	10,002

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2021: same).

## Notes to the Consolidated Financial Statements (Continued)

### 16 Benefits and Interests of Directors (Continued)

#### (b) Directors' retirement benefits and termination benefits

Save as disclosed in note 16(a), the directors did not receive any other retirement benefits or termination benefits during the year (2021: nil).

#### (c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors services (2021: nil).

#### (d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors

As at the end of the year, there are no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities (2021: nil).

#### (e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 39, 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 Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: nil).

### 17 Earnings per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

	2022	2021
Profit for the year attributable to owners of the Company (in HK\$'000)	1,008	4,377
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,000,000	400,000,000
Basic earnings per share attributable to the ordinary equity holders of the Company (in HK cents)	0.3	1.1

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares.

## Notes to the Consolidated Financial Statements (Continued)

### 18 Property, Plant and Equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2021	38,446	24,229	12,061	3,323	78,059
Additions	272	5,398	99	–	5,769
Exchange difference	267	548	178	29	1,022
At 31 December 2021 and 1 January 2022	38,985	30,175	12,338	3,352	84,850
Additions	719	568	117	–	1,404
Exchange difference	(934)	(1,742)	(386)	(62)	(3,124)
At 31 December 2022	38,770	29,001	12,069	3,290	83,130
<b>Accumulated depreciation</b>					
At 1 January 2021	8,988	11,280	9,142	2,981	32,391
Charge for the year	3,478	1,765	537	97	5,877
Exchange difference	(819)	455	98	–	(266)
At 31 December 2021 and 1 January 2022	11,647	13,500	9,777	3,078	38,002
Charge for the year	3,566	1,899	416	72	5,953
Exchange difference	1,622	(1,042)	(243)	(41)	296
At 31 December 2022	16,835	14,357	9,950	3,109	44,251
<b>Carrying value</b>					
At 31 December 2022	21,935	14,644	2,119	181	38,879
At 31 December 2021	27,338	16,675	2,561	274	46,848

## Notes to the Consolidated Financial Statements (Continued)

### 19 Right-of-use Assets

	<b>Buildings</b> HK\$'000 (Re-represented)
At 1 January 2021	18,278
Additions	620
Depreciation	(4,144)
Exchange difference	531
At 31 December 2021 and 1 January 2022	15,285
Additions	1,372
Depreciation	(3,965)
Exchange difference	(991)
At 31 December 2022	11,701

Lease liabilities of HK\$12,141,000 (2021: HK\$15,736,000) are recognised with related right-of-use assets of HK\$11,701,000 as at 31 December 2022 (2021: HK\$15,285,000). 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.

	<b>2022</b> HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets	<b>3,965</b>	4,144
Interest expense on lease liabilities (included in finance cost)	<b>270</b>	385
Expenses relating to short-term lease (included in selling and distribution expenses)	<b>67</b>	–

For both years, the Group leases office premises and factories for its operations. Lease contracts are entered into for fixed term of two years to ten years (2021: two years to ten years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## Notes to the Consolidated Financial Statements (Continued)

### 20 Intangible Asset

	<b>Computer software</b> HK\$'000
<hr/>	
<b>Cost</b>	
At 1 January 2021	886
Exchange difference	33
<hr/>	
At 31 December 2021 and 1 January 2022	919
Exchange difference	(72)
<hr/>	
At 31 December 2022	847
<hr/>	
<b>Accumulated amortisation</b>	
At 1 January 2021	622
Amortisation for the year	110
Exchange difference	25
<hr/>	
At 31 December 2021 and 1 January 2022	757
Amortisation for the year	102
Exchange difference	(58)
<hr/>	
At 31 December 2022	801
<hr/>	
<b>Carrying amount</b>	
At 31 December 2022	46
<hr/>	
At 31 December 2021	162
<hr/>	

## Notes to the Consolidated Financial Statements (Continued)

### 21 Investments in Subsidiaries

The Group's principal subsidiaries at the end of the year are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Place of incorporation and kind of legal entity	Particular of issued share capital	Attributable effective equity interest to the Company as at 31 December		Principal activities
			2022	2021	
<b>Directly held</b>					
Alpha Business Global Limited	BVI, limited liability company	US\$1	100%	100%	Investment holding
Ulrich Developments Limited	BVI, limited liability company	US\$50,000	100%	Not applicable	Investment holding
<b>Indirectly held</b>					
Full Colour Developments Limited	BVI, limited liability company	US\$1	100%	100%	Investment holding
Dawning Beauty Limited	BVI, limited liability company	US\$1	100%	100%	Investment holding
Takbo Limited	Hong Kong, limited liability company	HK\$10,000	100%	100%	Design, development and sale of beauty products and beauty bags
B&B (H.K.) Limited	Hong Kong, limited liability company	HK\$2	100%	100%	Investment holding
Cosbe Laboratory Inc.* (廣東一芙化妝品有限公司)	PRC, limited liability company (note)	RMB39,000,000 (Re-presented)	100%	100%	Design, development, manufacture and sale of beauty products
Takbo USA, Inc.	USA, limited liability company	US\$10	100%	100%	Design, development and sale of beauty bags
Minimax Corporation Limited	Hong Kong, limited liability company	HK\$1	100%	Not applicable	Inactive
Minimax Corporation Limited	USA, limited liability company	US\$10	100%	Not applicable	Inactive

\* The English name is for identification purpose only.

Note: Cosbe Laboratory Inc. is a limited liability company established in Shantou, the PRC for a term of 36 years up to 27 June 2038.

## Notes to the Consolidated Financial Statements (Continued)

### 22 Deposit and Prepayments for a Life Insurance Policy

On 22 June 2022, the Group entered into a life insurance policy (the “Policy”) with an insurance company which is a subsidiary of a bank in Hong Kong to insure a member of the key management of the Group. Under the policy, the beneficiary and policy holder is the Company. The Company has paid the total insurance premium amounted to approximately US\$650,000 (equivalent to approximately HK\$5,070,000) at the inception of the Policy. The Company can terminate the Policy at any time and receive an amount based on the surrender value of the contract at the date of withdrawal, which is determined by the insurance premium of insurance policy paid plus the accumulated interest earned and less the insurance costs in accordance with the terms and conditions of the Policy. There will be a special amount of surrender expense to be charged by the insurance company, if the withdrawal is made between the first and fifteen policy years. The insurance company guaranteed an interest of 4.1% per annum for the first five years. Commencing from the sixth year, the guaranteed interest will be reduced to 2% per annum.

The policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the applicable surrender charge.

The directors of the Company consider that the expected life of the Policy remains unchanged from the date of initial recognition and the financial impact of the option to terminate the Policy was not significant.

As at 31 December 2022, the carrying amount of deposit and prepayments for a life insurance policy is HK\$4,282,000 (2021: nil).

### 23 Financial Assets at FVTPL

	2022 HK\$'000	2021 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	1,950	2,356
Analysed as:		
Current assets	1,950	2,356

The carrying amounts of the above financial assets are mandatorily measured at FVTPL in accordance with HKFRS 9.



## Notes to the Consolidated Financial Statements (Continued)

### 23 Financial Assets at FVTPL (Continued)

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

The fair value of financial assets at FVTPL are within level 1 (2021: level 1) of fair value hierarchy (note 7).

### 24 Deferred Tax Assets

The analysis of deferred tax assets is as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets		
– to be recovered after more than 12 months	1,188	1,350

The net movement on the deferred tax assets account is as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	1,350	1,434
Recognised in the consolidated statement of profit or loss (note 13)	(111)	(97)
Exchange difference	(51)	13
At 31 December	1,188	1,350

## Notes to the Consolidated Financial Statements (Continued)

### 24 Deferred Tax Assets (Continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Provisions</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2021	33	1,401	–	1,434
Credited/(charged) to the profit or loss for the year ( <i>note 13</i> )	10	(283)	176	(97)
Exchange difference	–	13	–	13
At 31 December 2021 and 1 January 2022	43	1,131	176	1,350
Credited/(charged) to the profit or loss for the year ( <i>note 13</i> )	255	(190)	(176)	(111)
Exchange difference	–	(51)	–	(51)
At 31 December 2022	298	890	–	1,188

As at the end of the year, deferred tax liabilities of approximately HK\$2,823,000 (2021: HK\$2,840,000) have not been recognised for the withholding tax that would be payable on the unremitted retained earnings of the Group's subsidiaries in the PRC amounting to approximately HK\$28,229,000 (2021: HK\$28,406,000). No liability has been recognised in respect of these differences because the timing of reversal of the temporary differences were under control by the Group and the Group's subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

### 25 Inventories

	<b>2022</b> HK\$'000	2021 HK\$'000
Raw materials	193	197
Work in progress	1,154	999
Finished goods	2,293	1,693
	<b>3,640</b>	2,889

The cost of inventories included in cost of sales during the year amounted to approximately HK\$129,881,000 (2021: HK\$130,920,000 (re-presented)).

## Notes to the Consolidated Financial Statements (Continued)

### 26 Trade Receivables

	2022 HK\$'000	2021 HK\$'000
Trade receivables	20,998	36,729
Provision for impairment losses	(5,951)	(5,344)
	<b>15,047</b>	31,385

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (2021: 30 to 120 days). Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the invoice date is as follows:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
0 to 90 days	10,968	14,945
91 to 180 days	1,727	12,256
181 to 365 days	3,811	5,071
Over 365 days	4,492	4,457
	<b>20,998</b>	36,729

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

Information about the impairment of trade receivables, the calculation of the provisions and the Group's exposure to credit risk can be found in note 6(b).

## Notes to the Consolidated Financial Statements (Continued)

### 26 Trade Receivables (Continued)

The maximum exposure to credit risk is the carrying amounts of trade receivables. The Group does not hold any collateral as security. The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
US\$	10,592	21,440
RMB	4,413	9,646
HK\$	42	299
	<b>15,047</b>	31,385

### 27 Amount Due from/(to) a Related Party

	2022 HK\$'000	2021 HK\$'000
Amount due from/(to) Shantou Baoma Processing Complex Company Limited	144	(81)

As at 31 December 2022, there was no impairment for the amount due from a related party, as the amount was not past due and the related party had no history of default in payment (2021: nil).

The balances were trade in nature, unsecured, interest-free and repayable on demand.

The carrying amount of the Group's amount due from/(to) a related party are denominated in the following currency:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
RMB	144	(36)
US\$	–	(45)
	<b>144</b>	(81)

## Notes to the Consolidated Financial Statements (Continued)

### 28 Short-term Bank Deposit and Bank and Cash Balances

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Short-term bank deposit ( <i>note (a)</i> )	–	14,000
Cash on hand	16	55
Cash at banks	44,074	58,544
Bank deposits with original maturities of three months or less	136,372	81,900
Bank and cash balances ( <i>note (b)</i> )	180,462	140,499

*Notes:*

- (a) Short-term bank deposit is denominated in the following currency:

	2022 HK\$'000	2021 HK\$'000
HK\$	–	14,000

As at 31 December 2021, the effective interest rate on short-term bank deposit was 0.7% per annum. The short-term bank deposit of the Group had an average maturity of 185 days.

- (b) Bank and cash balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
HK\$	19,518	7,495
US\$	116,442	106,659
RMB	44,481	26,314
Others	21	31
	180,462	140,499

As at 31 December 2022, the bank and cash balances of the Group denominated in Renminbi ("RMB") held in banks in the PRC amounted to HK\$44,437,000 (2021: HK\$26,158,000 (re-presented)). Conversion of these RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## Notes to the Consolidated Financial Statements (Continued)

### 29 Derivative Financial Instruments

	2022 HK\$'000	2021 HK\$'000
Foreign currency forward contracts	2,769	–

As at 31 December 2022, the Group has entered into foreign currency forward contracts to sell US\$ and buy RMB. The fair values of the derivatives are determined with reference to the market exchange rate at year end and the fixed forward rates stated in the contracts.

The notional amounts and maturity date of RMB and US\$ to be acquired or sold under foreign currency forward contracts are set out below:

#### 2022

Notional amount	Maturity	In exchange for
Sell US\$400,000	17 January 2023	RMB2,600,800
Sell US\$600,000	19 January 2023	RMB3,918,000
Sell US\$1,000,000	30 January 2023	RMB6,500,000
Sell US\$400,000	17 February 2023	RMB2,600,800
Sell US\$600,000	20 February 2023	RMB3,918,000
Sell US\$1,000,000	1 March 2023	RMB6,500,000
Sell US\$400,000	16 March 2023	RMB2,600,800
Sell US\$600,000	20 March 2023	RMB3,918,000
Sell US\$1,000,000	31 March 2023	RMB6,500,000
Sell US\$400,000	17 April 2023	RMB2,600,800
Sell US\$600,000	20 April 2023	RMB3,918,000

## Notes to the Consolidated Financial Statements (Continued)

### 30 Trade Payables

The aging analysis of the trade payables based on invoice dates as at the end of the year is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000 (Re-presented)
0 to 90 days	<b>3,682</b>	5,665
91 to 180 days	<b>482</b>	311
181 to 365 days	<b>12</b>	6
Over 365 days	<b>685</b>	584
	<b>4,861</b>	6,566

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000 (Re-presented)
US\$	<b>1,567</b>	2,482
RMB	<b>3,294</b>	4,084
	<b>4,861</b>	6,566

## Notes to the Consolidated Financial Statements (Continued)

### 31 Contract Liabilities

	2022 HK\$'000	2021 HK\$'000
Billings in advance of performance obligation arising from sales of products	8,192	7,978

Contract liabilities relating to sales of products are balances due to customers under contracts with customers. They arise because customers pay deposits for the sales contract which exceed the revenue recognised to date.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities:

	2022 HK\$'000	2021 HK\$'000
Balance at 1 January	7,978	14,934
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(3,155)	(14,934)
Increase in contract liabilities as a result of billing in advance of sales of products	3,369	7,978
Balance at 31 December	8,192	7,978



## Notes to the Consolidated Financial Statements (Continued)

### 32 Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Within one year	4,034	4,430	3,799	4,143
More than one year, but not exceeding two years	4,858	5,743	4,614	5,402
More than two years, but not more than five years	3,794	6,363	3,728	6,191
	12,686	16,536	12,141	15,736
Less: Future finance charges	(545)	(800)	N/A	N/A
Present value of lease obligations	12,141	15,736	12,141	15,736
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,799)	(4,143)
Amount due for settlement after 12 months			8,342	11,593

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	2,447	3,029
RMB	9,694	12,707
	12,141	15,736

## Notes to the Consolidated Financial Statements (Continued)

### 33 Accruals, Provisions and Other Payables

	2022 HK\$'000	2021 HK\$'000
<b>Non-current portion</b>		
Provision for long service payments	393	393
<b>Current portion</b>		
Accrued expenses	8,484	6,070
Provisions and other payables	1,651	2,223
	<b>10,135</b>	8,293
Total accruals, provisions and other payables	<b>10,528</b>	8,686

The carrying amounts of the Group's accruals, provisions and other payables as at the end of the year are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000 (Re-presented)
HK\$	5,038	3,573
US\$	135	38
RMB	5,355	5,075
	<b>10,528</b>	8,686

## Notes to the Consolidated Financial Statements (Continued)

### 34 Share Capital

<b>Authorised share capital</b>	<b>Number of ordinary share</b>	<b>Nominal value of ordinary share</b> HK\$'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,000,000,000	100,000

  

<b>Issued and fully paid</b>	<b>Number of ordinary share</b>	<b>Nominal value of ordinary share</b> HK\$'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	400,000,000	4,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings (except for bank overdrafts) and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

### 35 Other Reserves

#### (a) Capital and other reserves

Capital and other reserves of the Group include the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Group for the acquisition of subsidiaries pursuant to the reorganisation in relation to the Listing of the Company in 2017.

#### (b) Statutory reserve

Under the relevant PRC laws and regulations, the PRC companies are required to allocate 10% of the companies' net profit to the fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset against accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

## Notes to the Consolidated Financial Statements (Continued)

### 36 Notes to the Consolidated Statement of Cash Flows

#### (a) Reconciliation of liabilities arising from financing activities

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

##### For the year ended 31 December 2022

	1 January HK\$'000	Addition HK\$'000	Finance cost HK\$'000	Cash flows HK\$'000	Exchange difference HK\$'000	31 December HK\$'000
Lease liabilities	15,736	1,372	270	(4,485)	(752)	12,141

##### For the year ended 31 December 2021

	1 January HK\$'000 (Re-presented)	Addition HK\$'000	Finance cost HK\$'000	Cash flows HK\$'000 (Re-presented)	Exchange difference HK\$'000	31 December HK\$'000
Lease liabilities	18,715	620	385	(4,794)	810	15,736

## Notes to the Consolidated Financial Statements (Continued)

### 36 Notes to the Consolidated Statement of Cash Flows (Continued)

#### (b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	67	–
Within financing cash flows	4,485	4,794
	4,552	4,794

These amounts relate to the following:

	2022 HK\$'000	2021 HK\$'000
Lease rental paid	4,552	4,794

### 37 Contingent Liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: nil).

### 38 Commitments

#### Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2022 HK\$'000	2021 HK\$'000
Property, plant and equipment	390	410

## Notes to the Consolidated Financial Statements (Continued)

### 39 Related Party Transactions

The directors of the Group are of the view that the following individuals and companies were related parties that had transactions with the Group during the year:

Name of related party	Relationship with the Group
Mr. Or Tak Ming	Spouse of Ms. Chu
Mr. Or Huen	Brother of Mr. Or Naam and son of Mr. Or Tak Ming and Ms. Chu
Smart Path Development Limited	Controlled by Mr. Or Naam and Ms. Chan
Tak Bo Hong <sup>#</sup>	Controlled by Ms. Chu and Mr. Or Tak Ming
Shantou Baoma Processing Complex Company Limited* (汕頭寶馬工藝製品廠有限公司)	Controlled by Ms. Chu and Mr. Or Tak Ming

<sup>#</sup> In form of a partnership

\* The English name is for identification purpose only.

Other than those transactions and balances disclosed elsewhere in these financial statements, the following transactions were carried out with related parties during the year:

#### (a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the year:

	2022 HK\$'000	2021 HK\$'000
Shantou Baoma Processing Complex Company Limited		
– Purchases	1,438	712
– Utility expenses	962	1,530
– Lease payments	2,295	2,284
– Storage expenses	58	–
Smart Path Development Limited		
– Lease payments	1,200	1,200

All of the above transactions with related parties were conducted based on the terms mutually agreed between the relevant parties.

## Notes to the Consolidated Financial Statements (Continued)

### 39 Related Party Transactions (Continued)

#### (a) Transactions with related parties (Continued)

##### Applicability of GEM Listing Rules relating to connected transactions

The related party transactions as disclosed in note 39(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The amount of these transactions are below the de minimis threshold under Rule 20.74(1) of the GEM Listing Rules. For the year ended 31 December 2022, the directors elected not to disclose the above continuing connected transactions in the directors' report in accordance with the exemption criteria as set out in the GEM Listing Rules. Further details in relation to the exemption are provided in the directors' report.

#### (b) Key management compensation

Key management personnel are deemed to be the members of the executive directors of the Company who have responsibility for the planning, directing and controlling the activities of the Group.

The compensation paid or payable to key management personnel during the year is shown below:

	2022 HK\$'000	2021 HK\$'000
Salaries and bonuses	9,307	8,116
Other allowances and benefits in kind	1,687	1,472
Defined contribution pension costs	54	54
	<b>11,048</b>	9,642

## Notes to the Consolidated Financial Statements (Continued)

### 40 Statement of Financial Position and Reserve Movement of the Company

#### (a) Statement of financial position of the Company

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries		85,226	84,836
Deposit and prepayments for a life insurance policy		4,282	–
		<b>89,508</b>	84,836
<b>Current assets</b>			
Amounts due from subsidiaries		23,759	26,631
Short-term bank deposit		–	14,000
Bank and cash balances		14,535	2,559
		<b>38,294</b>	43,190
<b>Current liabilities</b>			
Amounts due to subsidiaries		390	–
<b>Net current assets</b>		<b>37,904</b>	43,190
<b>NET ASSETS</b>		<b>127,412</b>	128,026
<b>CAPITAL AND RESERVES</b>			
Share capital	34	4,000	4,000
Share premium		141,034	141,034
Accumulated losses		(17,622)	(17,008)
<b>TOTAL EQUITY</b>		<b>127,412</b>	128,026

Approved by the Board of Directors on 28 March 2023 and are signed on its behalf by:

**Or Naam**  
Director

**Chan Hoi Yan, Polly**  
Director



## Notes to the Consolidated Financial Statements (Continued)

### 40 Statement of Financial Position and Reserve Movement of the Company (Continued)

#### (b) Reserve movement of the Company

	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2021</b>	141,034	(17,000)	124,034
Profit for the year	–	(8)	(8)
<b>At 31 December 2021 and 1 January 2022</b>	141,034	(17,008)	124,026
Profit for the year	–	(614)	(614)
<b>At 31 December 2022</b>	141,034	(17,622)	123,412

### 41 Comparative Figures

Certain notes to the consolidated financial statements for the year ended 31 December 2021 were re-presented as the directors consider that this presentation is more appropriate for understanding of the Company's financial performance for the year ended 31 December 2022.

## Five Years Financial Summary

<b>RESULTS</b>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	<b>209,300</b>	207,181	287,768	266,415	258,782
Profit before taxation	<b>858</b>	4,301	20,945	39,009	39,009
Income tax credit/(expense)	<b>150</b>	76	(2,536)	(5,956)	(6,760)
Profit for the year attributable to the owners of the Company	<b>1,008</b>	4,377	18,409	33,053	32,249
Total comprehensive income for the year attributable to the owners of the Company	<b>(5,172)</b>	7,427	21,508	30,506	31,443
Total assets	<b>263,407</b>	269,223	304,854	254,257	189,706
Total liabilities	<b>38,693</b>	39,337	82,395	53,306	19,261
Net assets	<b>224,714</b>	229,886	222,459	200,951	170,445
Equity attributable to owners of the Company	<b>224,714</b>	229,886	222,459	200,951	170,445