

# Jisheng Group Holdings Limited 吉盛集團控股有限公司

Formerly known as Solomon Worldwide Holdings Limited  
(incorporated in the Cayman Islands with limited liability)  
Stock Code: 8133

Annual Report  
**2023**



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This report, for which the directors (the “Directors”) of Jisheng 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 the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects 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

## BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

### Executive Directors

Ms. Woo Lan Ying (*Chairman*)  
Mr. Shang Ruisen (*Vice Chairman*)

### Independent Non-executive Directors

Ms. Leung Shuk Lan  
Ms. Yuen Wai Man  
Mr. Au Sui Keung Albert

### Chief Executive Officer

Mr. Wong Thomas Wai Yuk

### Chief Operating Officer

Mr. Chong Wai Moon Joe (*President of the PRC region*)

## BOARD COMMITTEES

### Audit Committee

Ms. Yuen Wai Man (*Chairman*)  
Ms. Leung Shuk Lan  
Mr. Au Sui Keung Albert

### Remuneration Committee

Ms. Leung Shuk Lan (*Chairman*)  
Ms. Woo Lan Ying  
Ms. Yuen Wai Man

### Nomination Committee

Ms. Woo Lan Ying (*Chairman*)  
Ms. Yuen Wai Man  
Ms. Leung Shuk Lan

## COMPANY SECRETARY

Mr. Wong Ka Shing (*resigned on 1 March 2024*)  
Mr. Law Kim Fai (*appointed on 1 March 2024*)

## AUTHORISED REPRESENTATIVES

Ms. Woo Lan Ying  
Mr. Wong Ka Shing (*resigned on 1 March 2024*)  
Mr. Law Kim Fai (*appointed on 1 March 2024*)

## AUDITOR

Yongtuo Fuson CPA Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201, 12/F,  
Guangdong Finance Building  
88 Connaught Road West,  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

## STOCK CODE

8133

## COMPANY WEBSITE

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Jisheng Group Holdings Limited (formerly known as Solomon Worldwide Holdings Limited) (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2023 ("FY 2023").

## REVIEW

During FY 2023, the Group's business was mainly focused on trading and manufacturing of metal casting parts and components in PRC.

2023 was a year of full recovery in economic activity following the global outbreak, after experiencing the negative impact of the COVID-19 on the global economy in 2022. Although Hong Kong's economy improved slightly thanks to the overall strengthening of anti-epidemic measures and the reopening of our borders, the overall business environment was still challenging, with the overall productivity and consumption power weaker than that before the epidemic.

On the other hand, geopolitical uncertainty and the high interest rates had an impact on the economies of both Mainland China and Hong Kong. Revenue from the Group's metal casting business for the year was lower than that of last year, but cost control of raw materials was better, resulting in a slight increase in gross profit margin. The recovery of the overall macroeconomic environment may be favorable to the Group's operations and the Group is cautiously optimistic.

## OUTLOOK

Looking ahead, the Group will maintain a flexible and tailored sales and marketing strategy to offer diversified and tailor-made products and services to our customers, which will in turn reinforce the Group's market position. In addition, the Group will continue to leverage on its competitive edges in branding and networking to further expand our customer base. The Group will continue to adopt a positive yet prudent approach in its business strategy aiming to enhance the Group's profitability and the shareholders' value in the long run. Meanwhile, the Group will also explore other potential investment opportunities in Mainland China, Hong Kong and overseas in order to diversify the Group's business and create new source of revenue to the Group.

I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of our Group.

**Woo Lan Ying**  
*Chairman*

Hong Kong, 26 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

During FY 2023, the Group was principally engaged in trading and manufacturing of metal casting parts and components in PRC from continuing operations.

### **Metal Casting Business**

The metal casting products of the Group can be categorized into four main categories: (a) pump components; (b) valve components; (c) filter components; and (d) food machinery components, which are made of stainless steel, carbon steel, bronze and/or grey iron. Our largest market is Germany. We also have customers from Mainland China and the United States.

During FY 2023, the global economic environment remains challenging due to the impact of interest rate hikes and inflation. Although the release of certain lock down measure in overseas, the revenue from metal casting business decreased by approximately 14.24% as compared to last year. The revenue level of this segment rebounded to that in 2019, i.e. prior to the outbreak of the COVID-19 pandemic. Although the average selling prices of the products were increased, it has almost been offset by the increase in general costs of raw materials.

### **Financial Printing Business**

The continuous loss-making position and significant decrease in revenue of the financial printing business were mainly attributable to the outbreak of COVID-19 pandemic as various restrictions were imposed on the travelling to and from Hong Kong and this directly affected the number of financial printing jobs for IPO projects of the financial printing business. During the year ended 31 December 2022 ("FY 2022"), in light of the weak performance of the financial printing business, the Group has devoted tremendous management time and efforts on the financial printing business with the hope to turnaround its performance. Despite various cost control measures and strategies have been implemented, no significant improvements were noted in FY 2022 and the first quarter of 2023. Although the COVID-19 pandemic started relief in Hong Kong and Mainland China in February 2023, various restrictions were imposed on the travelling to and from Hong Kong were relieved but still affected the market of financial printing business due to the aftermath of COVID-19 pandemic on the macroeconomic environment. The Group expected that such unfavorable and uncertain market conditions in the financial printing business shall persist for a period of time.

On 19 May 2023, the Group has discontinued the 75% equity interest of financial printing business through the disposal of subsidiaries in order to prevent the Group from suffering further losses and cash outflow for the non-performing financial printing business. The details of discontinued operation and gain on disposal of discontinued operation are set out in note 11 of the consolidated financial statements.

Looking ahead, the Group will continue to strengthen its cost control and resources management by executing flexible strategies to face the challenges in order to maintain its competitiveness in the market. Pursuant to the ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company held on 12 July 2023, approving the capital increase in the joint venture companies (the "JV Companies"). The JV Companies are preliminary expected to focus in offering Chinese cultural peripheral products and catering service with cultural characteristics. Meanwhile, the Group will closely monitor the business environment and explore other potential investment opportunities and value-added business from time to time such as in Mainland China, Hong Kong and overseas in order to diversify the Group's business and create new source of revenue to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

In FY 2023, revenue of the Group from continuing operations decreased slightly by approximately 14.24% to approximately HK\$53.78 million as compared with that in FY 2022 of approximately HK\$62.71 million. The decrease in revenue was mainly due to the impact of the global economic environment facing the challenges.

#### Gross profit

Gross profit from continuing operations of approximately HK\$14.02 million (FY 2022: HK\$14.53 million) was recorded in FY 2023, representing a decrease of approximately HK\$0.51 million as compared with that in FY 2022. The Group's overall gross profit margin remained stable at around 26.07% and 23.17% in FY 2023 and FY 2022 respectively.

#### Selling and distribution expenses

The Group's selling and distribution expenses from continuing operations in FY 2023 amounted to approximately HK\$3.31 million (FY 2022: HK\$3.84 million), representing a decrease of approximately HK\$0.53 million as compared with the in FY 2022. Selling and distribution expenses comprised mainly packaging, delivery, customs, agency cost and insurance cost incurred in relation to the sales. The selling and distribution expenses recorded a decrease during FY 2023.

#### Administrative expenses

The Group's administrative expenses from continuing operations in FY 2023 amounted to approximately HK\$17.98 million (FY 2022: HK\$16.27 million), representing an increase of approximately HK\$1.71 million as compared with that in FY 2022. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staffs, exchange loss, audit fee and legal and professional fees to ensure on going compliance with relevant rules and regulations.

#### Finance costs

Finance costs mainly represented the interest on lease liabilities and other borrowing of approximately HK\$0.56 million in FY 2023 (FY 2022: HK\$1.07 million).

#### Loss for the year

Loss attributable to equity shareholders of the Company in FY 2023 amounted to approximately HK\$5.04 million (FY 2022: HK\$12.14 million), representing a decrease of approximately 58.48% as compared to that in FY 2022.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. During FY 2023, the Group's principal sources of funds are from issue of shares and borrowings. The Group had cash and cash equivalents of approximately HK\$5.48 million as at 31 December 2023 (31 December 2022: HK\$2.80 million). As at 31 December 2023, except for the loan and advance from related parties (mainly from a director and a related party): Nil (31 December 2022: HK\$3.63 million) and borrowings: approximately HK\$0.41 million (31 December 2022: HK\$2.22 million), the Group did not have any other borrowings.

### GEARING RATIO

As at 31 December 2023, because of no the Group's total interest-bearing debt, the Group has no gearing ratio (31 December 2022: 38.82%), which is calculated based on the Group's total interest-bearing debt divided by the Group's total equity.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL STRUCTURE

The capital of the Company comprises only ordinary shares.

As at 31 December 2023, the Company's total number of issued shares was 38,184,000 of HK\$0.8 each (2022: 212,160,000 of HK\$0.08 each). The Group did not have any debt securities or other capital instruments as at 31 December 2023.

#### Share Subscriptions

On 13 January 2023, a subscriber entered into the subscription agreement with the Company, pursuant to which the subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue 11,000,000 subscription shares ("Subscription I") at the subscription price of HK\$0.235 per subscription shares. The intended use of proceeds from the Subscription I to be used as to (i) approximately HK\$2.3 million for repayment of borrowings of the Group; and (ii) approximately HK\$0.3 million for general working capital of the Group. The subscription transaction was completed on 20 January 2023 and a total of 11,000,000 subscription shares were issued. The gross and net proceeds to be raised from the Subscription I were approximately HK\$2.6 million. Further details are set out in the announcements of the Company dated 13 January 2023 and 20 January 2023.

On 29 March 2023, two subscribers entered into the subscription agreements with the Company, pursuant to which the two subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue 25,000,000 subscription shares and 6,400,000 subscription shares ("Subscription II") to the subscribers at the subscription price of HK\$0.11 per subscription share, respectively. The intended use of proceeds from the Subscription II to be used as to approximately HK\$3.5 million for general working capital of the Group and/or for investments in potential new projects to be identified by the Group in the future. The subscription transaction was completed on 13 April 2023 and a total of 31,400,000 subscription shares were issued. The gross and net proceeds to be raised from the Subscription II were approximately HK\$3.5 million. Further details are set out in the announcements of the Company dated 29 March 2023 and 13 April 2023.

#### Consolidated share

Pursuant to the passing of an ordinary resolution by the shareholders of the Company on the extraordinary general meeting held on 12 July 2023, approving the consolidation of every ten (10) issued and unissued ordinary shares of HK\$0.08 each in the share of the Company into one (1) consolidated share of HK\$0.8 each in the share capital of the Company (the "Share Consolidation"). The Share Consolidation took effect on 14 July 2023 from 254,560,000 shares to 25,456,000 shares. Save for the Share Consolidation, there has been no change in the capital structure of the Company during FY 2023. Further details are set out in the announcements of the Company dated 5 June 2023 and 12 July 2023, and the circular of the Company on 27 June 2023.

#### Rights Issue

On 5 June 2023, the Company announced among other things, the proposed Share Consolidation and the rights issue (the "Rights Issue") on the basis of one (1) rights share for every two (2) shares held on 26 July 2023, at the subscription price of HK\$0.8 per rights share. The Rights Issue was completed on 24 August 2023, and a total of 12,728,000 shares of the Company of HK\$0.8 each were subscribed by the shareholders of the Company and the placee procured by the underwriter of the Rights Issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

The gross proceeds from the Rights Issue will be approximately HK\$10.2 million. The net proceeds from the Rights Issue after deducting the related expenses are approximately HK\$9.0 million. The Company intended use of proceeds from the Rights Issue to be used as to (i) approximately HK\$2.25 million for capital contribution to the JV Companies which are expected to be utilised by 31 December 2025; (ii) approximately HK\$2.25 million for investments in other business opportunities to be identified by the Group from time to time which are expected to be utilised by 31 December 2024; and (iii) approximately HK\$4.5 million for general working capital of the Group which are expected to be utilised by 31 December 2024.

Subsequently, on 18 December 2023, the Group changed the intended use of proceeds approximately HK\$2.25 million from capital contribution to the JV Companies to general working capital of the Group, which is expected to be fully utilised by the end of 2024.

For details of the Rights Issue, please make reference to the announcements of the Company dated 5 June 2023, 1 August 2023, 23 August 2023, 18 December 2023, and the Rights Issue prospectus issued and published by the Company on 26 July 2023.

### USE OF PROCEEDS FROM SHARE SUBSCRIPTIONS AND RIGHTS ISSUE

The gross and net proceeds from the Subscription I was approximately HK\$2.6 million, which were used as below: (i) approximately HK\$2.3 million for repayment of borrowings of the Group; and (ii) approximately HK\$0.3 million for general working capital of the Group. As at 31 December 2023, the Group had fully utilised the net proceeds for repayment of borrowings and general working capital of the Group.

The gross and net proceeds from the Subscription II was approximately HK\$3.5 million, which were used as approximately HK\$3.5 million for general working capital of the Group and/or for investments in potential new projects to be identified by the Group in the future. As at 31 December 2023, the Group had fully utilised the net proceeds for general working capital of the Group.

The net proceeds from the Rights Issue, after deduction of all relevant expenses, was approximately HK\$9.0 million, which were used as below: (i) approximately HK\$2.25 million for capital contribution to the JV Companies which are expected to be utilised by 31 December 2025; (ii) approximately HK\$2.25 million for investments in other business opportunities to be identified by the Group from time to time which are expected to be utilised by 31 December 2024; and (iii) approximately HK\$4.5 million for general working capital of the Group which are expected to be utilised by 31 December 2024. Subsequently, on 18 December 2023, the Group changed the intended use of proceeds HK\$2.25 million from capital contribution to the JV Companies to general working capital of the Group, which is expected to be fully utilised by the end of 2024. Further details are set out in the announcement of the Company dated 18 December 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the net proceeds of Rights Issue had been utilised as follows:

	Proposed use of the net proceeds as disclosed as at 26 July 2023 HK\$'000	Actual use of the net proceeds as at 18 December 2023 HK\$'000	Remaining balance of the net proceeds as at 18 December 2023 HK\$'000	Revised use of remaining balance of the net proceeds as at 18 December 2023 HK\$'000	Actual use of the net proceeds from 19 December 2023 to 31 December 2023 HK\$'000	Use of remaining balance of the net proceeds as at 31 December 2023 HK\$'000	Expected timeline for unutilised net proceeds
Investments in other business opportunities to be identified by the Group from time to time	2,250	2,250	—	—	—	—	N/A
Capital contribution to the JV Companies	2,250	—	2,250	—	—	—	N/A
General working capital of the Group	4,500	4,210	290	2,540	980	1,560	End of 2024
<b>Total</b>	9,000	6,460	2,540	2,540	980	1,560	

## ESTABLISHMENT OF JOINT VENTURE COMPANIES

Pursuant to the announcement of the Company dated 20 January 2023, a joint venture agreement for the establishment of three JV Companies was signed by the Company and the joint venture partner (the "JV Partner") on 20 January 2023 and thus, the Company and JV Partner agreed to contribute HK\$1,020,000 and HK\$980,000 to the JV Companies, respectively.

The Company further announced on 5 June 2023, the Company entered into the supplemental joint venture agreement with the JV Partner in relation to increasing the aggregate capital contribution to the JV Companies from HK\$2,000,000 to HK\$30,000,000. The Company and JV Partner agreed to contribute HK\$15,300,000 and HK\$14,700,000 to the JV Companies, respectively.

Further details are set out in the announcements of the Company dated 20 January 2023, 5 June 2023 and 12 July 2023, and the circular of the Company on 27 June 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHANGE OF COMPANY NAME

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 12 July 2023, the name of the Company in English was changed from “Solomon Worldwide Holdings Limited” to “Jisheng Group Holdings Limited” and the dual foreign name of the Company in Chinese from “所羅門環球控股有限公司” to “吉盛集團控股有限公司”. The certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 7 August 2023 certifying that the new English and Chinese names of the Company have been registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The further details are set out in the announcements of the Company dated 24 March 2023, 12 July 2023 and 15 August 2023, and the circular of the Company on 27 June 2023.

### EVENTS AFTER THE REPORTING PERIOD

On 31 January 2024, the Company announced that the Board proposed issuance of corporate bond of the Company. The Board is negotiating a proposed bond (the “Bond”) subscription with an independent private investor, 珠海市天旗企業管理諮詢有限公司 (the “Subscriber”) pursuant to which the Subscriber intended to subscribe and the Company intended to issue the Bond. The principal amount, interest rate and the maturity date of the Bond be determined in the formal agreement. The further details are set out in the announcement of the Company dated 31 January 2024.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements may affect the substantiality of its business. The Group has allocated various resources to ensure ongoing compliance with rules and regulations.

During the year under review, there is no material non-compliance with the relevant laws and regulations in Hong Kong and PRC by the Group.

### CONTINGENT LIABILITIES

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

### CHARGE OF ASSETS

As at 31 December 2023, the Group did not have any charge of assets (31 December 2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group is principally engaged in the manufacturing of metal casting parts and components in PRC, which are exposed to certain market risks including currency risk, interest rate risk, credit risk and liquidity risk. The details are set out in note 30 “Financial risk management and fair values of financial instruments” to the consolidated financial statements.

The Group’s business and profitability growth in the year under review is affected by the increase in competition in the industry and the volatility and uncertainty of macroeconomic conditions in Hong Kong, PRC, Germany and other global nations. The Group is expected to continue to be affected by the above factors. Any increased competition in the metal casting industry in PRC could reduce the sales, prices and profit margins, and affect the operating results. Any change in the macroeconomic condition may directly or indirectly affect the cost of the production and the demand for the services and products of the Group.

### FOREIGN CURRENCY RISK

The Group mainly sells the products to customers in Germany, the PRC and the United States. The Group is exposed to foreign currency risks as it receives revenue in Euro from some of its customers in Europe. The Group generally has a surcharge mechanism with its customers to protect the future profitability in certain extent against the (i) fluctuation of the cost of certain raw materials; and (ii) fluctuation of the exchange rate of Euro vs RMB, or Euro vs USD, if the purchase price is to be settled by Euro. However, there is no assurance that such mechanism could protect the Group free from foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. To manage liquidity risk, the management closely monitors the Group’s liquidity position and maintain sufficient cash and cash equivalents and an adequate amount of committed credit facilities to settle the payables of the Group.

### CAPITAL COMMITMENTS

Except for set out in the section of “Establishment of joint venture companies”, as at 31 December 2023, the Group did not have any significant capital commitments (31 December 2022: Nil).

### SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for set out in the section of “Establishment of joint venture companies”, the Group did not have any significant investment in equity interest in any other company and any material acquisitions during FY 2023.

Except for disposal of subsidiaries set out in note 11 of the consolidated Financial Statements, the Group did not have any disposals of subsidiaries and affiliated companies during FY 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed elsewhere in this annual report, the Group did not have any plans for material investments and capital assets as at 31 December 2023.

### RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

#### Employees

Employees are regarded as the valuable assets of the Group. The employees of the Group are remunerated by way of salary, allowance and discretionary bonus. The Group has devised an assessment system for the employees and the Group uses the assessment result for salary reviews and promotion decisions. The Group maintains good working relationships with the employees and has not encountered any difficulty in the recruitment and retention of staff for the operations since the establishment of the business.

#### Customers

The Group's currently principal customers are suppliers of flow control devices, electromechanical equipment, and industrial machinery and equipment after the financial printing business. The Group believes that product quality is the key to retain long-term customers. Each step in the production procedures are controlled and monitored to ensure adherence to stringent quality standard. The Group has maintained a good and long-term relationship with its customers by providing high quality and tailor-made of the metal casting parts and components which are able to meet the diversified requirements of the customers.

#### Suppliers

The Group maintains stable relationship with its suppliers which include distributors of well-established metal manufacturers. Most of the the suppliers of the metal casting business have distribution points in Guangdong province and they are nearby the factory of the Group located in Huizhou City, which ensures prompt delivery and relatively lower transportation costs.

### EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2023, the employee headcount (including Directors) of the Group was 105 (31 December 2022: 133) and the total staff costs, including directors' emoluments, amounted to approximately HK\$16.14 million during FY 2023 (FY2022: HK\$27.04 million). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

Throughout FY 2023, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors 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, except for Ms. Woo Lan Ying has not complied with Rules 5.56(a)(ii) and 5.61 of the GEM Listing Rules, other Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during FY 2023.

## BOARD OF DIRECTORS

### Composition of the Board

As at the date of this annual report, the Board comprises two executive Directors and three independent non-executive Directors. The composition of the Board during the year and up to the date of this annual report was as follows:

### Executive Directors

Ms. Woo Lan Ying (*Chairman*)

Mr. Shang Ruisen (*Vice Chairman*)

### Independent Non-executive Directors

Ms. Leung Shuk Lan

Ms. Yuen Wai Man

Mr. Au Sui Keung Albert

The biographical details of all Directors and senior management of the Company are set out on pages 39 to 40 of this annual report. To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

## FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for establishing the strategic direction of the Company and its subsidiaries; setting objectives and business development plans; monitoring the performance of the senior management; and assuming responsibility for corporate governance. The management, under the leadership of the chief executive officer, is responsible for implementing the strategies and plans established by the Board and reporting on the Company’s operations to the Board on a regular basis to ensure effective performance of the Board’s responsibilities.

The Board has established the Group’s purpose, values and strategy, and has satisfied itself that the Group’s culture is aligned. Acting with integrity and leading by example, the Directors promote the desired culture to instill and continually reinforce across the Group the values of acting lawfully, ethically and responsibly. The Group has adopted anti-corruption and whistleblowing policy to provide forums for reporting issues and concerns on any misconduct, and to uphold business integrity in its operations.

## CORPORATE GOVERNANCE REPORT

**DIRECTORS' AND OFFICERS' LIABILITIES**

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Board.

**BOARD MEETINGS**

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail of the matters considered by the Board and the decisions made.

During FY 2023, seventeen (17) Board meetings were held. The attendance of the respective Directors at the Board meetings are set out below:

<b>Name of Directors</b>	<b>Attendance/ Number of meetings</b>
<i>Executive Directors</i>	
Ms. Woo Lan Ying	17/17
Mr. Shang Ruisen	10/17
<i>Independent Non-executive Directors</i>	
Ms. Leung Shuk Lan	16/17
Ms. Yuen Wai Man	16/17
Mr. Au Sui Keung Albert	9/17

## CORPORATE GOVERNANCE REPORT

### 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. Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a specific term of three (3) years.

In compliance with the code provision in B.2.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three (3) years. Furthermore, pursuant to article 84 of the articles of association of the Company (the "Articles"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three (3) years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

By virtue of article 84 of the Articles, Mr. Shang Ruisen, Ms. Leung Shuk Lan and Ms. Yuen Wai Man will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three (3) independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

Ms. Leung Shuk Lan, one of the independent non-executive directors, has served as a member of the Board for more than nine years (10 April 2015 to 2024 annual general meeting) when re-election on annual general meeting. While this could be relevant to the assessment of independence, the Board is of the view that the independence of Ms. Leung Shuk Lan cannot be solely determined by his period of service in the Company. In assessing her independence, the Board has considered her character and judgement with reference to her contribution to the Board. Over the years, Ms. Leung Shuk Lan has provided valuable insights to the Board with her experience, expertise and knowledge, and the Company has benefited from her contribution and commitment. The Board is therefore of the view that Ms. Leung Shuk Lan meets the independence criteria set out in Rule 5.09 of the GEM Listing Rules and that she is able to continue to fulfil her role as an independent non-executive director. Save as disclosed hereinabove, none of the independent non-executive Directors has served in the Board for more than nine years.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Board considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules in FY 2023.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with the code provision in C.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer are distinct and separate with clear and well established division of responsibilities. Ms. Woo Lan Ying, the executive Director and Chairman of the Board is responsible for the roles of the chairman by providing leadership to the Board while Mr. Wong Thomas Wai Yuk, the Chief Executive Officer of the Company, is responsible for overseeing the general management and daily operations of the Group.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Board has established, with written terms of reference, three board committees, namely audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in line with the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company, respectively.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

### AUDIT COMMITTEE

The Company has established an audit committee on 10 April 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the code provision D.3 of the CG Code. The audit committee consists of three (3) independent non-executive Directors, namely, Ms. Yuen Wai Man, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Ms. Leung Shuk Lan and Mr. Au Sui Keung Albert.

The primary duties of the audit committee are (but without limitation) to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, risk management and internal control systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee held four (4) meetings during FY 2023. Details of the attendance of members of the audit committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meetings</b>
Ms. Yuen Wai Man ( <i>chairman</i> )	4/4
Ms. Leung Shuk Lan	3/4
Mr. Au Sui Keung Albert	3/4

During FY 2023, the audit committee reviewed the Company's annual financial statements, interim and quarterly reports; discussed the internal control of the Group; met with the independent external auditors and reviewed reports from the independent external auditors regarding their audit on annual financial statements.

### REMUNERATION COMMITTEE

The Company established a remuneration committee on 10 April 2015 with written terms of reference in compliance with the code provision E.1 of the CG Code. The remuneration committee currently consists of three (3) members, the majority of whom are independent non-executive Directors, namely Ms. Leung Shuk Lan, who serves as the chairman of the remuneration committee, Ms. Woo Lan Ying and Ms. Yuen Wai Man.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

## CORPORATE GOVERNANCE REPORT

During FY 2023, two (2) remuneration committee meetings were held for, inter alia, reviewing the policy and structure for all remuneration of the Directors. Details of the attendance of members of the Remuneration Committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meetings</b>
Ms. Leung Shuk Lan ( <i>chairman</i> )	2/2
Ms. Woo Lan Ying	2/2
Ms. Yuen Wai Man	1/2

### REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

### NOMINATION COMMITTEE

The Company established a nomination committee on 10 April 2015 with written terms of reference in compliance with the code provision B.3 of the CG Code. The nomination committee currently consists of three (3) members, the majority of whom are independent non-executive Directors, namely Ms. Woo Lan Ying, who serves as the chairman of the nomination committee, Ms. Yuen Wai Man and Ms. Leung Shuk Lan.

The primary function of the nomination committee includes making recommendations to the Board to fill vacancies on the same, assessing the independence of independent non-executive Directors and reviewing of the structure, size and composition of the Board.

## CORPORATE GOVERNANCE REPORT

During FY 2023, one (1) nomination committee meeting was held for, inter alia, reviewing the structure, size and composition of the Board and board diversity policy as well as considering the appointment of Directors. Details of the attendance of members of the nomination committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meetings</b>
Ms. Woo Lan Ying ( <i>chairman</i> )	1/1
Ms. Yuen Wai Man	1/1
Ms. Leung Shuk Lan	1/1

## BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “Diversity Policy”) which sets out the approach to achieve diversity on the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance. Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including (but not limited to) gender, regional and industry experience, skills, knowledge and educational background.

As at 31 December 2023, the Board contained three female Directors, the Board considers that the gender diversity is achieved in respect of the Board. The Board intends that female Directors should continue to comprise at least one-third of the total members of the Board. Accordingly, the Board considers that the current composition of the Board has met the Board’s objectives with respect to gender diversity. In considering the Board’s succession and to ensure diversity at the Board level, the nomination committee will and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified and when appropriate. The Board will review the implementation and effectiveness of the policy on Board diversity on an annual basis.

As at 31 December 2023, among the 105 employees (including senior management) of the Group, the percentages of male employees and female employees are 77.1% and 22.9%, respectively. The Board considers that the Group’s workforce (including senior management) is diverse in terms of gender.

## NOMINATION PROCEDURES, PROCESS AND CRITERIA

The nomination committee leads the process and makes recommendations for re-election and appointment to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in light of the challenges and opportunities facing by the Group, as well as the business development and requirements of the Group. In evaluating and selecting candidate(s) for directorship, the nomination committee considers the merit and contribution that the candidates will bring to the Board, having due regard for the election criteria set out in the nomination policy including, inter alia, the character and integrity; the accomplishment and experience; the commitment in respect of available time and relevant interest; the cultural and educational background, the gender, qualification, ethnicity, professional experience, skills, knowledge and length of service; the benefits of diversity on the existing Board as well as the independence of the candidates (for independent non-executive director). The nomination committee makes recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the Articles and the GEM Listing Rules.

## CORPORATE GOVERNANCE REPORT

### CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision C.1.4 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. During FY 2023, the Group has provided training materials for all the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Group, together with its compliance adviser, continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

### ACCOUNTABILITY AND AUDIT

#### Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledges their responsibilities to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and 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 responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements in FY 2023 set out in this annual report.

### AUDITOR'S REMUNERATION

In FY 2023, the remuneration paid or payable to Yongtuo Fuson CPA Limited and its affiliate companies in respect of audit and non-audit services provided is set out below:

<b>Services rendered</b>	<b>Remuneration paid/payable HK\$'000</b>
Audit services	460
	460

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually.

As a part of the Group's risk management and internal control systems, appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed.

## CORPORATE GOVERNANCE REPORT

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

The Group has adopted a three-tier risk management approach to identify, evaluate and manage significant risks. The operating units of the Group, as a first line of defence, identify, evaluate, mitigate and monitor the risks, and report such risk management activities to the Group's management on a regularly basis. The Group's management, as the second line of defence, provides support to the operating units and ensure that the significant risks are properly manage and within the acceptable range and report the situation to the Board at each regularly scheduled meeting. The Board, as the final line of defence, conducts an annual review of the overall effectiveness of the Group's risk management and internal control systems.

During FY 2023, the Board has reviewed and discussed the risk management and internal control systems, which has covered all material controls, including financial, operational, compliance controls and the environmental, social and governance, with the Group's management and has conducted selective review of the effectiveness of internal control system of the Group and no material internal control fallings, weaknesses or deficiencies have been identified during the course of the review.

Based on the above, the Board was not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit, financial reporting functions and those relating to the environmental, social and governance's performance and reporting.

### WHISTLEBLOWING POLICY

In compliance with the code provision D.2.6 of the CG Code, the Board adopted a whistleblowing policy. It provides employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person.

An email account (bonnie@wmyuen.com) has been set up for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Board and the audit committee will regularly review the whistleblowing policy and mechanism to improve its effectiveness.

### ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an anti-fraud and anti-corruption policy. It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties. The Board and the audit committee will review the anti-fraud and anti-corruption policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

## CORPORATE GOVERNANCE REPORT

### DISCLOSURE OF INSIDE INFORMATION

The Board acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules that inside information should be announced immediately when it is the subject of a decision. The Group has established appropriate procedures and internal controls for the handling and dissemination of inside information. The Company regulates the handling and dissemination of inside information as set out in the Group's policy, which has covered the related disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis, information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

The general meetings of the Company provide a forum for communication between the Board and its shareholders. The Chairman of the Board and other members of the respective committees are available to answer questions at the general meeting of the shareholders. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintains a website at <https://www.jishenggroup.com/> where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

The Board reviewed the Company's shareholders engagement and communication activities conducted in 2023 and was satisfied with the implementation and effectiveness of the shareholders' communication policy of the Company.

### CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated Memorandum and Articles of Association of the Company on 10 April 2015 and it took effect on the Listing Date. A copy of the amended and restated Memorandum and Articles of Association of the Company is posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.jishenggroup.com](http://www.jishenggroup.com). During FY 2023, the Company has adopted the second amended and restated Memorandum and Articles of Association of the Company by special resolution passed on 9 June 2023 and effective on the same day. Saved as disclosed, there was no change in the Memorandum and Articles of Association of the Company during FY 2023.

### DIVIDEND POLICY

The Company does not have any pre-determined dividend distribution ratio. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, among other things, the Group's earnings performance, financial condition, cash requirements and availability, the availability of funds to meet the financial covenants of the Group's bank loans and any other factors that the Directors may consider relevant.

## CORPORATE GOVERNANCE REPORT

## 2023 GENERAL MEETINGS

The 2023 annual general meeting and an extraordinary general meeting of the Company were held on 9 June 2023 and 12 July 2023 respectively. The Company announced the results of the poll in the manner prescribed under the GEM Listing Rules. The respective chairman of the Board, audit committee, remuneration committee and nomination committee has attended the annual general meeting to ensure effective communication with shareholders. The attendance record of the Directors at the general meetings held in 2023 is set out below:

Name of Directors	Number of annual general meeting attended/held	Number of extraordinary general meeting attended/held
<i>Executive Directors</i>		
Ms. Woo Lan Ying	1/1	1/1
Mr. Shang Ruisen	0/1	0/1
<i>Independent Non-executive Directors</i>		
Ms. Leung Shuk Lan	1/1	1/1
Ms. Yuen Wai Man	1/1	1/1
Mr. Au Sui Keung Albert	0/1	0/1

## SHAREHOLDERS' RIGHTS

**Procedures for shareholders to convene an extraordinary general meeting and to put forward proposal at general meetings**

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company ("Company Secretary") for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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 provides that no person other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than 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 and the minimum length of the period during which such notices to the Company may be given will be at least seven (7) days. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail to the principal office of the Company in Hong Kong. The Company Secretary forwards communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Chief Executive Officer.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

### COMPANY SECRETARY

The Company Secretary is Mr. Wong Ka Shing, who is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. During FY 2023, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

### DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 17.50(2) AND 17.50A(1) OF THE GEM LISTING RULES

Save as disclosed below, there is no other change in the information of each director that is required to be disclosed under Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules during FY 2023.

Ms. Yuen Wai Man has been resigned as an independent non-executive Director of China Eco Farming Limited (stock code: 8166) since 19 July 2023.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

The Group principally engaged in trading and manufacturing of metal casting parts and components in PRC. The Group is committed to incorporating the principles of sustainable development into its strategic planning and day-to-day operations through transparent measures to maintain our competitive edge in the trading and manufacturing of metal casting parts industry and to deliver enduring values to our key stakeholders including shareholders, employees, customers and the wider community.

In response to the increasing concern over sustainable development and climate change, the Group is committed to enhancing its environmental, social and governance (collectively referred to as “ESG”) performance. The Group endeavours to fulfil its corporate responsibilities by considering ESG issues in decision-making and strategy formation, with the ultimate goal of realising low-carbon operations.

## REPORTING FRAMEWORK

The 2023 Environmental, Social and Governance report (“ESG Report”) Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange.

The Group is pleased to present its Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on GEM of the Stock Exchange under the “comply or explain” provision, the Group is pleased to present this ESG Report aims to disclose the overall policies, practice, commitments and strategies on the sustainable development of the Group during the reporting period which covers the period from 1 January 2023 to 31 December 2023 (“Reporting Period”).

## REPORTING PRINCIPLES

The Group has prepared the ESG Report in accordance to the following reporting principles stated in the ESG Reporting Guide.

- **Materiality:** The Group communicates with our major stakeholder groups on a regular basis to identify and assess ESG-related issues that matter most from stakeholders’ perspectives. Key ESG issues identified through stakeholder engagement and materiality assessment.
- **Quantitative:** Quantitative information/KPI presented in this ESG Report is accompanied by narrative, explanation and comparison wherever applicable.
- **Balance:** The ESG Report aims to disclose data in an objective way, which aims to provide stakeholders with a balance overview of the Group’s overall ESG performance.
- **Consistency:** Unless otherwise stated, the Group adopts consistent methodologies and retrieves social and environmental KPIs from the Group’s internal record system. The scope of reporting and KPIs are consistent with those of the previous report to allow meaningful comparison over time.

## REPORT APPROVAL

The Group acknowledges its responsibility to ensure the accuracy and reliability of the ESG Report. All information in this ESG Report has been sourced from the internal policy documents and statistical data of the Group. The Board has reviewed and approved this ESG Report.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

### **INFORMATION DISCLOSURE**

The information in the ESG Report was collected through an array of channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation under the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework.

This ESG Report is prepared in both English and Chinese. Should there be any conflict or inconsistency, the English version shall prevail.

### **INFORMATION AND FEEDBACK**

The opinions of stakeholders are vastly beneficial to formulating and implementing sustainable development strategies which enables the Group to improve its ESG performance. If you have any opinions or suggestions, please do not hesitate to contact us by mail to Room 1201, 12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong.

### **SUSTAINABLE DEVELOPMENT**

The Group understands that sustainability is particularly important to the long-term development of the Group, the society as well as our next generation. The Group is committed to create a business that contributes to global efforts in environmental care and will introduce various environmental protection and social welfare activities in order to foster the sustainability development of the society.

### **BOARD STATEMENT ON ESG GOVERNANCE**

The Board is committed to incorporating the ESG mindset into business operations. The Board accepts full responsibility for the sustainability of the Group, including formulating strategies, overseeing the Group's ESG related risks and opportunities, and approving the ESG Report. The Board is also required to keep abreast of and comply with the latest regulatory requirements before the approval of the ESG Report.

The Board believes that the management of ESG-related risks and opportunities are essential to the Group's efficient and effective operation. The risk management and internal control systems assure accuracy, reliability and the timeliness of the data presented and sustainable development measures. The Board will also regularly review the implementation effectiveness of the systems and whether they cover major control measures on material ESG issues.

### **REPORTING BOUNDARY**

This ESG Report focuses on the environmental and social performance of the trading and manufacturing of metal casting parts and components in PRC.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### STAKEHOLDERS ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community. The Group continues to interact with its stakeholders on an ongoing basis in order to understand their views and collect their feedback. The Group has also established effective communication channels with its stakeholders through its company website, annual general meeting and staff meetings.

Regular engagement is arranged for the Group to update new ESG objectives and performance with key stakeholders while collecting their feedback and expectations to enhance the development of sustainability approaches. The results shared in the following section show the meaningful feedback that the Group received from the key stakeholders, including shareholders, employees, customers, suppliers, government, and the general public. The Group maintains stable connections with the stakeholders through their preferred channels for communication in a proactive manner, which are also summarised in the table below:

Stakeholder group	Engagement channels	Topics of interest/concern
Shareholders	<ul style="list-style-type: none"> <li>• Annual report</li> <li>• Annual general meetings</li> <li>• Corporate website</li> <li>• Direct communication</li> </ul>	<ul style="list-style-type: none"> <li>• Business strategies and financial performance</li> <li>• Corporate governance</li> <li>• Business sustainability</li> <li>• Human resource allocation</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Interviews</li> <li>• Training sessions</li> <li>• Internal memos</li> </ul>	<ul style="list-style-type: none"> <li>• Rights and benefits</li> <li>• Employee compensation</li> <li>• Training and development</li> <li>• Working hours</li> <li>• Occupational health and safety</li> <li>• Communication effectiveness</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Direct communication and emails</li> <li>• Complaint hotlines</li> <li>• Opinion boxes</li> <li>• Customer surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Products and service quality</li> <li>• Service safety and stability</li> <li>• Protection of privacy</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Business meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfilment of promises</li> <li>• Payment schedule</li> <li>• Regular updates on business and product requirements</li> </ul>
Government	<ul style="list-style-type: none"> <li>• Statutory filings and notification</li> <li>• Regulatory or voluntary disclosures</li> <li>• Tax return</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with law and regulations</li> <li>• Fulfilment of tax obligation</li> <li>• Environmental protection</li> </ul>
General public	<ul style="list-style-type: none"> <li>• Community activities</li> <li>• Corporate donations</li> </ul>	<ul style="list-style-type: none"> <li>• Fair employment opportunities</li> <li>• Environmental awareness</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. During the Reporting Period, the Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify ESG topics that are material and relevant to the Group's operation. This involved conducting interviews and/or surveys with internal and external stakeholders to identify the most significant environmental and social impacts on its business. To identify potential material topics for disclosure in the ESG Report, we took reference to the ESG Reporting and set possible topics for assessment. According to the results of the materiality assessment:

The following table summarizes the Group's material ESG issues identified by the Group:

The ESG Reporting Guide	Material ESG aspects of the Group	Materiality to the Group
<b>A. Environment</b>		
A1. Emissions	Emission and Use of resources	High
	Waste Management	High
A2. Use of Resources	Emission and Use of resources	High
	Waste Management	High
	Packaging Material	Medium
A3. The Environment and Natural Resources	Environmental and Natural Resources	High
A4. Climate Change	Climate Change	High
<b>B. Society</b>		
B1. Employment	Employment	Low
B2. Health and Safety	Health and Safety	Medium
B3. Development and Training	Development and Training	High
B4. Labour Standards	Labour Standards	Medium
B5. Supply Chain Management	Supply Chain Management	Medium
B6. Product Responsibility	Product Responsibility	High
B7. Anti-Corruption	Anti-corruption	High
B8. Community Investment	Community Investment	Low

Based on the material ESG issues, the Group shall strategize and plan resources accordingly to promote environmental and social issues, and address related concerns. Additionally, the Group continues to look for ways to engage in different stakeholders such as investors, customers or local communities, so as to gain a wider understanding of ESG material issues.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL PROTECTION

### Emission and Use of resources

The Group is principally engaged in the trading and manufacturing of metal casting parts and components in PRC and provision of financial printing services in Hong Kong. Resources such as liquid petroleum gas, electricity and raw materials are essential inputs to our business and greenhouse gas emissions are unavoidable during our production process.

The Group is also committed to use resources wisely and efficiently and reduce waste generation within our operations. Throughout all of our operations, we have been progressively implementing different resource-saving measures including but not limited to the environmental education to our people. The Group's target is set to achieve 5% reduction of energy consumption, greenhouse gas emissions and water by 2030 from the base year of 2023.

The Group's direct air emission during the Reporting Period are as follows:

	Units	2023
<b>Direct air emission</b>		
Nitrogen oxides ("NOx")	kg	0.98
Sulphur oxides ("SOx")	kg	0.02
Particulate matter ("PM")	kg	0.08

The Group's energy consumption, waste and greenhouse gas emissions during the Reporting Period are as follows:

	Units	2023
<b>Greenhouse gas emission</b>		
Direct emissions (Scope 1) <sup>1</sup>	tCO <sub>2</sub> e	10.77
Intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	0.08
Energy indirect emissions (Scope 2) <sup>3</sup>	tCO <sub>2</sub> e	2,488.71
Intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	18.71
Other indirect emissions (Scope 3) <sup>4</sup>	tCO <sub>2</sub> e	5.06
Intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	0.04
Total emission	tCO <sub>2</sub> e	2,504.54
Intensity <sup>5</sup>	tCO <sub>2</sub> e/revenue (HK\$'000)	18.83
	tCO <sub>2</sub> e/employee	46.57
<b>Waste</b>		
Hazardous waste	tonne	1.42
Intensity	tonne/employee	0.01
Non-hazardous waste	tonne	45.00
Intensity	tonne/employee	0.34
<b>Use of resources</b>		
Liquid Petroleum Gas and Diesel	Litre	2,666.00
Intensity <sup>6</sup>	Litre/output tonne	6.88

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Units	2023
Electricity consumption	MWh	<b>3,558.51</b>
Intensity <sup>7</sup>	MWh/output tonne	<b>9.18</b>
Water Consumption	cubic metre	<b>8,935.00</b>
Intensity <sup>8</sup>	cubic metre/employee	<b>85.10</b>
Paper Consumption <sup>9</sup>	tonne	<b>31.41</b>
Intensity <sup>10</sup>	tonne/employee	<b>0.30</b>

Note 1: Scope 1 refers to direct greenhouse gas emissions which resulted from the liquid petroleum gas and diesel consumed by our wholly-owned operating subsidiary which principally engaged in manufacturing of metal casting in PRC as do not generate direct greenhouse gas emissions.

Note 2: Intensity is calculated by the emission over the number of employees of the Group.

Note 3: Scope 2 refers to energy indirect emissions which resulted only from the generation of the Group's purchased electricity.

Note 4: Scope 3 refers to other indirect greenhouse gas emissions which resulted from the water and paper consumption and business air travel by employees.

Note 5: Intensity is calculated by the emissions over the Group's revenue for HK\$53.78 million (2022:HK\$74.90 million).

Note 6: Intensity is calculated by the consumption of liquid petroleum gas and diesel over the production output of manufacturing of metal casting.

Note 7: Intensity is calculated by the consumption of electricity over the production output of manufacturing of metal casting.

Note 8: Intensity is calculated by the consumption of water over the number of employees of the Group.

Note 9: Total packaging material used for finished products.

Note 10: Intensity is calculated by the consumption of paper over the number of employees of the Group.

### Wastes Management

The Group attaches great importance to the management of solid waste, and we implement waste management strategies to reduce the impact from disposal of hazardous and non-hazardous waste on the environment. The Group undertakes to put into practice the storage, cleaning, transportation and disposal of waste and to keep the environment clean and sanitary. In respect of non-hazardous waste generated in offices, the Group advocates reducing the generation of solid waste and encourages employees to develop good habits of recycling waste, so as to get twice the result in environmental protection with half the effort. In order to reduce the use of paper, the Group proactively encourages employees to put into practice double sided printing. The Group's target is set to achieve 5% reduction of hazardous and non-hazardous waste by 2030 from the base year of 2023.

### Packaging Material

The Group promotes saving packaging material and avoid wastage and encourage packaging materials including paper and wooden boxes. During the Reporting Period, the Group consumed approximately 31.41 tonnes of packaging materials.

### Environment and Natural Resources

The Group will continue to monitor the production and operations process in order to ensure that it does not have a significant adverse effect on the environment and that the Group's environmental protection measures are adequate to ensure compliance with all applicable current local and national regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Climate Change

Global warming has been one of the utmost concerned issues in recent years, which might induce extreme weather conditions such as storms, flooding and earthquakes, etc.

During the Reporting Period, the Group has not been seriously affected by the extreme weather conditions as the Group adopted various emergency plans to prevent the disruption of the operation such as working arrangement in black rainstorm warning and/or typhoon signal 8 situation.

Even though the Group expected that potential extreme weather condition, sustained high temperature do not have a material impact on the Group's operations, the Group will continue to monitor the climate-related risks and implement relevant measures to minimize the potential impact of climate change.

## B. SOCIAL

### Employment

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our employees. The Group provides competitive remuneration, implements a sound performance appraisal, advocates ethics and human rights at the workplace.

As of 31 December 2023, the Group has 105 (2022: 133) employees in offices located in Hong Kong and Qiuchang county, Huizhou City, Guangdong Province, PRC. The Group strictly complies with the Employment Ordinance (Cap. 57), the Employee's Compensation Ordinance (Cap. 282), the Mandatory Provident Fund Schemes Ordinance (Cap. 485), the Minimum Wage Ordinance (Cap. 608) in Hong Kong and PRC's Labour Law and PRC's Labour Contract Law:

1. The Group prohibits the employment of child, forced or compulsory labour in any of our operations;
2. Wages, overtime payments and related benefits are made in accordance with minimum wage or above (if any);
3. Holidays and statutory paid leaves are compliant respective Labour Law or Regulations; and
4. The Group is also dedicated to implementing equal opportunity employment practices by maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity and religion, which are in compliance with the requirements of the legislation on anti-discrimination in Hong Kong, including Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527) and Race Discrimination Ordinance (Cap. 602).

During FY 2023, there were no non-compliance or notification from governmental authorities for contravention of any of the employment practices referred to above.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The employee compositions by gender, age, employment type and geographical region were as follows:

Employee Structure		Number of employees as at 31 December 2023	Percentage of employees as at 31 December 2023
<b>Total number of employees</b>		105	100.0%
<b>By gender</b>	Male	81	77.1%
	Female	24	22.9%
		105	100.0%
<b>By age</b>	Aged 18–30	14	13.3%
	Aged 31–40	19	18.1%
	Aged 41–60	62	59.1%
	Aged over 60	10	9.5%
		105	100.0%
<b>By employment type</b>	General Staff	76	72.4%
	Middle Management	18	17.1%
	Senior Management	11	10.5%
		105	100.0%
<b>By geographical region</b>	Hong Kong	11	10.5%
	PRC	94	89.5%
		105	100.0%

The following table sets for the turnover rates of the Group's employees by gender, age and geographical region for the Reporting Period:

Summary of Employee Data		Number of employees resigned in 2023	Turnover rates
<b>By gender</b>	Male	23	28.4%
	Female	5	20.8%
		28	
<b>By age</b>	Aged 18–30	9	64.3%
	Aged 31–40	1	5.3%
	Aged 41–60	18	0.0%
	Aged over 60	0	0.0%
		28	
<b>By geographical region</b>	Hong Kong	5	45.5%
	PRC	23	24.5%
		28	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Health and Safety

The Group gives priority for providing a safe and convenient working environment to employees.

The Group has formulated a series of code of practice for safety at work, comprised of sanitation and clean, machine operation, smoking prohibition and fire prevention, as well as emergency treatment, etc. The Group provides training for code of practice of safety at work and requires employees strictly comply with the code.

The government authorities keep regular monitoring on the Group's working environmental. Rectification will be made by the Group in accordance with the monitoring results, if necessary.

The Group was also not aware of any material non-compliance with the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong and other health and safety-related laws and regulations which have a significant impact on the Group.

Health and safety statistics	2023	2022	2021
Number of work-related fatalities	0	1	0
Number of work-related injuries	11	10	10
Number of lost days due to work injury	172.6	108	27.5

### Development and Training

The Group ample resources to staff training and development with the aim of sustaining a competent and professional staff force that will contribute to the success of the Group. In 2023, training sessions were provided to our employees on different aspects such as technology, internal system, safety and staff induction.

In additions, a number of staff activities were organised to show appreciation to employees for their contribution and to enhance their sense of belonging.

Statistics in respect of development and training for the Reporting Period is set out below:

Summary of Employee Data	Units	2023
Average training hours per employees by gender		
Male	hours/employee	24
Female	hours/employee	24
Average training hours per employees by employee category		
General Staff	hours/employee	24
Middle Management	hours/employee	24
Senior Management	hours/employee	24
Percentage of employees trained by gender		
Male		100%
Female		100%
Percentage of employees trained by employee category		
General Staff		100%
Middle Management		100%
Senior Management		100%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Labour Standards

The Group's employment policies regarding prohibiting child and forced labour are implemented to ensure the adherence of the local employment laws and regulations. Before the confirmation of employment, the Group's human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

The Group has zero-tolerance in the use of forced labour or child labour in its business operations. The Group enters into an employment contract with each of its employees in accordance with the relevant laws and regulations. If the use of forced labour or child labour is discovered, the Group will terminate the employment contract and investigate if further action is needed.

The Group is not aware of any material non-compliance with the Employment Ordinance, Employment of Children Regulations and other applicable laws and regulations relating to preventing child or forced labour on the Group in the Reporting Period. No non-compliance with the law that resulted in significant fines or sanctions had been reported in the Reporting Period.

### Supply Chain Management

Effective supply chain management can have implications on cost, quality and serve to mitigate social or environmental risks that an organization may face. As such, supply chain management is always one of the key links in the Group's quality control system. The Group exercises a high level of scrutiny over the selection of suppliers. The suppliers should comply with all relevant local and national laws and regulations about unethical behaviour, bribery, corruption and other prohibited business practices. The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. The Group has carried out long-term quality monitoring and regular review over major suppliers and subcontractors. They are subject to regular on-site assessment on product quality as well as suitability made by our Group. In case of a significant change in their qualification or serious quality issue, the Group may suspend them from our supplier list. During the Reporting Period, the Group had 100 suppliers based in PRC.

### Product Responsibility

The nature of our business requires the highest degree of accuracy, precision and quality in developing our products. To bolster our efforts in quality assurance, we undergo stringent certification programs from unbiased organisations that enforce international, national and industry standards. Each step in our production procedures is controlled and monitored to ensure adherence to stringent quality standard. This is our way of ensuring we deliver only qualified products and services to the market, and maintaining our outstanding track record in the metal casting industries.

In recognition of our quality control system, a wholly owned subsidiary of the Group has obtained the certification from TÜV Rheinland for the European Directive 97/23/EC for Pressure Equipment & AD 2000-Merkblatt W0/TRD100.

As a result of our stringent quality control procedures, our clients are satisfied with our products and we did not receive any material complaints in relation to our products and services. During FY 2023, there were no non-compliance cases noted in relation to health and safety, advertising, labelling and privacy matters.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group understands and complies with the IP rights regulations. During the Reporting Period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its IP rights and the IP rights of third parties.

The Group emphasizes the importance of data privacy. It strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. Any information related to customers or suppliers, including contact or quotation or working terms, should be kept confidential. The Group strictly follows the data protection laws and regulations of Hong Kong and PRC. During the Reporting Period, the Group has not identified any material non-compliance on data privacy issues.

### Anti-corruption

The Code of Conduct included in our Human Resources Manual allows our people to understand explicitly on several areas, which include the provisions of anti-bribery and corruption. All of the Group's operations comply with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and PRC's Law on Anti-money Laundering. The Group definitely has zero tolerance on bribery and corruption behavior.

All employees not only have the responsibility to understand and comply with the above policies on preventing bribery, extortion, fraud and money laundering, but also have the obligation to report any possible violations to the person responsible or the Board. Any person, who contravenes the regulations, will be subject to disciplinary sanction.

To ensure the staff is aware of the regulatory obligations and the possible consequences of breaching the obligations, the Group provides regular training to staff on anti-corruption. The Group also send notice to all staff in order to ensure they are fully aware with the compliance of law and regulations.

To achieve and maintain the highest standards of openness, probity and accountability, the Group's "Whistleblowing Policy" encourages and enables employees to report on observed and suspected non-compliance and questionable practice by mail, email or phone. The Group treats all disclosures in a confidential and sensitive manner to reasonably protect whistle blowers against intimidation and reprisal. The Group encourages whistleblowing whereas an employee or a third party could report any suspected cases of corruption, theft, fraudulent activities, and conflict of interest to the Company anonymously. The identity of the whistle-blower making the allegation will not be divulged without his/her consent. Incidents and allegations or suspicions of fraud are assessed and investigated.

There were no non-compliance cases noted in relation to corruption related laws and regulations as of 31 December 2023.

### Community Investment

As a socially responsible enterprise, the Group is constantly aware of the community needs and strives to bring a positive impact on community development for a long-term investment. The Group always encourages its employees to dedicate their time and skills to participate in different voluntary activities and be aware of community needs. We also encourage our employees, customers and business partners to make donations in supporting the sustainable development of the community.

During the Reporting Period, the Group supports community development by cash donation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Report disclosure index

Aspects	ESG Indicators	Description	Section/ Statement
<b>A. Environmental</b>			
A1: Emissions	General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</li> </ul> <p>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	Emission and Use of resources
	KPI A1.1	The types of emissions and respective emissions data.	Emission and Use of resources
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission and Use of resources
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission and Use of resources
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Emission and Use of resources
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Emission and Use of resources
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Waste Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section/ Statement
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Emission and Use of resources
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Emission and Use of resources
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Material
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
B1: Employment	General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	Employment
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section/ Statement
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	KPI B2.2	Lost days due to work injury.	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.  Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section/ Statement
<b>Operating Practices</b>			
B5: Supply Chain Management	General Disclosure KPI B5.1	Policies on managing environmental and social risks of the supply chain. Number of suppliers by geographical region.	Supply Chain Management Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B6: Product Responsibility	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
	KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	Section/ Statement
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
<b>Community</b>			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Ms. Woo Lan Ying**, aged 56, was appointed as an executive Director on 1 December 2020 and redesignated as Chairman of the Board on 30 June 2021. Ms. Woo is an entrepreneur operating various businesses, including but not limited to consultancy and entertainment business. Ms. Woo has extensive experience in corporate management and project investments. Ms. Woo also involved in a lot of charitable and community activities and was a member of the Campaign Committee of The Community Chest of Hong Kong for the year of 2018/2019. Ms. Woo had been an executive director and vice chairman of Hing Ming Holdings Limited (Stock Code: 8425), a company listed on the GEM of the Stock Exchange, for the period from March 2021 to January 2022.

**Mr. Shang Ruisen**, aged 57, was appointed as an executive Director and Vice Chairman of the Board on 28 October 2021. Mr. Shang is a veteran entrepreneur who has invested in and operated a variety of businesses, involving in (including but not limited to) real estate development, property management and provision of other property related services, building construction and property renovation, corporate management and consulting services, promotion of corporate images and organization of culture related events, advertising design and production, etc. In addition, Mr. Shang has also provided consulting services in the above-mentioned related businesses. Mr. Shang has accumulated nearly 20 years of extensive experience in corporate management and project investments.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Leung Shuk Lan**, aged 67, was appointed as an independent non-executive Director on 10 April 2015. Ms. Leung had been the chairman of the executive committee of the Professional Insurance Brokers Association from 2008 to 2011. Ms. Leung is currently the chief executive of K U M Insurance Brokers Limited and Charter Management Group Limited and was appointed as a Committee member of Insurance Industry Training Advisory, Qualifications Framework Hong Kong since 2017 until 2025. Ms. Leung has accumulated over 30 years of experience in the Hong Kong insurance industry. Ms. Leung has accumulated over 30 years of experience in the Hong Kong insurance industry.

**Ms. Yuen Wai Man**, aged 52, was appointed as an independent non-executive Director on 11 April 2022. Ms. Yuen graduated from The University of Hong Kong with a Bachelor Degree in Business Administration in 1994. She is the fellow member of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants, and also the overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen (i) has been an independent non-executive director of China Eco-Farming Limited (Stock Code: 8166), a company listed on the GEM of the Stock Exchange, for the period from September 2016 to July 2023; (ii) has been an independent non-executive director of Hao Bai International (Cayman) Limited (Stock Code: 8431), a company listed on the GEM of the Stock Exchange, since December 2022; (iii) had been an independent non-executive director of Chinese Strategic Holdings Limited (Stock Code: 8089), a company listed on the GEM of the Stock Exchange, for the period from July 2008 to June 2021; and (iv) had been an independent non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145), a company listed on the Main Board of the Stock Exchange, for the period from November 2012 to October 2017. Ms. Yuen is currently also the managing director of W.M. Yuen CPA Limited. Ms. Yuen has accumulated extensive working experience in accounting and auditing area for over 25 years.

**Mr. Au Sui Keung Albert**, aged 68, was appointed as an independent non-executive Director on 20 September 2022. Mr. Au graduated from the Communication Department of Hong Kong Baptist College in 1981. Mr. Au is the founder of a charitable organisation "Music Farm". Mr. Au is a famous Hong Kong senior musician (singing, recording, recording and concert) and also a long term host of Radio Television Hong Kong (RTHK) since 1977.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Wong Thomas Wai Yuk**, aged 61, the founder of our Group, was appointed as a Director on 24 February 2014 and redesignated as an executive Director of the Company on 10 April 2015. Mr. Wong resigned as an executive Director of the Company on 20 September 2016 but remain as the chief executive officer of the Group. Mr. Wong is also a director of various subsidiaries of the Company.

Mr. Wong obtained a Higher Diploma in Mechanical Engineering from Hong Kong Polytechnic in November 1984. Mr. Wong worked at Fong's National Engineering Company Limited between 1987 and 1992 as an executive in production planning section, and subsequently as an assistant manager of sales and marketing department, of that company. Mr. Wong went to Australia for study in around 1993 and obtained a Bachelor of Manufacturing Management from University of Technology, Sydney in April 1996. Mr. Wong was appointed as a director of Tycon Alloy Industries (Hong Kong) Company Limited and Tycon Alloy Industries (Shenzhen) Company Limited, both of which were the then subsidiaries of Fong's National Engineering Company Limited, in 1996. Mr. Wong resigned his directorships and ceased his employment with Fong's National Engineering Company Limited in the early 2003.

Mr. Wong has over 30 years of experience in the metal casting industry in PRC.

**Mr. Chong Wai Moon Joe**, aged 57, was appointed as a president of the PRC region on 20 January 2023 and appointed as a chief operating officer on 1 June 2023. Mr. Chong is an entrepreneur and has over 30 years of experience in the commercial and financial sectors in both Hong Kong and PRC. Mr. Chong is familiar with corporate management, marketing, mergers and acquisitions, project management and project financing.

# REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements in FY 2023.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 February 2014 under the Companies Act of the Cayman Islands. Pursuant to a reorganisation (the “Reorganisation”) in preparation for the listing of the shares of the Company (the “Listing”) on GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 23 April 2015 (the “Prospectus”). The Company’s shares were listed on GEM on 30 April 2015 (the “Listing Date”).

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 33 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and indication of likely future development in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 4 to 11 of this annual report. This discussion forms part of this directors’ report.

## RESULTS AND APPROPRIATIONS

The results of the Group in FY 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 to 56 of this annual report.

The Board does not recommend the payment of a dividend in FY 2023 (FY 2022: Nil).

## DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2023 are set out in note 27 to the consolidated financial statements.

## SHARE CAPITAL

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## REPORT OF DIRECTORS

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements of the Company for the past five financial years, is set out on page 138 of this annual report. This summary does not form part of the audited financial statements.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY 2023, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

### COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during FY 2023.

### SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted pursuant to the written resolutions of the shareholders passed on 10 April 2015 (the "Adoption Date"). The following is a summary of the principal terms and conditions of the Share Option Scheme.

**(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants (as defined below) for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

**(b) Participants**

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part time), director, consultant or adviser of the Group, or any shareholder of the Group, or supplier, customer, business partner or service provider of the Group.

**(c) Total number of Shares available for issue under the Share Option Scheme**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the shares in issue as at the Listing Date (i.e. a total of 875,000 shares of the Company of HK\$0.8 each after taking effect of the Share Consolidation on 14 July 2023).

**(d) Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

## REPORT OF DIRECTORS

**(e) Term of subscription of Shares upon exercise of the options**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

**(f) Minimum period for which an option must be held before it can be exercised**

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

**(g) Time of acceptance and the amount payable on acceptance of the option**

An offer for the grant of options must be accepted within twenty one (21) days from the date on which the option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

**(h) Basis of determining the subscription price**

The subscription price of a share of the Company in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

**(i) Life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten year commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

Since the adoption of the Share Option Scheme up to the date of this annual report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during FY 2023.

### EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this section, no equity-linked agreements were entered into by the Group, or existed during FY 2023.

### DIRECTORS

The directors of the Company during FY 2023 and up to the date of this annual report were:

**Executive Directors**

Ms. Woo Lan Ying (*Chairman*)

Mr. Shang Ruisen (*Vice Chairman*)

## REPORT OF DIRECTORS

### Independent Non-executive Directors

Ms. Leung Shuk Lan

Ms. Yuen Wai Man

Mr. Au Sui Keung Albert

By virtue of article 84 of the Articles, Ms. Woo Lan Ying, Mr. Shang Ruisen and Mr. Au Sui Keung Albert, shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, the Board considers them to be independent.

In addition, in accordance with the guidelines of independence as set out in Rule 5.09 of the GEM Listing Rules, Ms. Leung Shuk Lan, who has been independent non-executive Director of the Company for more than nine years, will retire at the forthcoming annual general meeting and being eligible, will offer herself for re-election.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors have entered into a service contract with the Company for a term of three years and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are recommended by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, to the Board for determination.

Details of the Directors' remuneration and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company 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 FY 2023.

## REPORT OF DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 39 to 40 of this annual report.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company maintains directors and officers liability insurance, which gives appropriate cover for any legal action brought against the Directors. The level of the coverage is reviewed annually.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

#### Long positions in shares of the Company:

Name of Director	Capacity	Number of shares held	Percentage of the Company's issued share capital
Ms. Woo Lan Ying ("Ms. Woo")	Beneficial owner	6,253,852 (Note 1)	16.38%

Note:

- On 5 June 2023, the Company announced, among other things, the proposed share consolidation and the Rights Issue, the Company also entered into a deed of irrevocable undertaking with Ms. Woo, pursuant to which, Ms. Woo undertook to the Company that she would subscribe 773,750 consolidated shares (the "Consolidated Share(s)") of HK\$0.8 each of the Company at the subscription price of HK\$0.8 per Consolidated Share upon taking effect of the Rights Issue. Ms. Woo has taken up 773,750 rights shares provisionally allotted her pursuant to the Irrevocable Undertaking. Ms. Woo has also applied for excess rights shares. Based on the number of excess rights shares applied by Ms. Woo and the allocation ratio of rights shares under valid application of excess rights shares submitted, approximately 2,966,000 excess rights shares are expected to be allocated to Ms. Woo. The Rights Issue was completed on 24 August 2023, and total 3,739,750 Consolidated Shares were subscribed by Ms. Woo.

## REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2023, other than the director and chief executive of the Company, the following persons has an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

#### Long position in shares of the Company:

Name	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Cheung Siu Wo	Personal interest	2,056,600	5.39%
Mr. Fang Jinhua	Personal interest	2,661,150	6.97%

Save as disclosed above, as at 31 December 2023, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interests and/or short positions in the shares, underlying shares of the company or any associated corporation" and "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### MANAGEMENT CONTRACTS

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

## REPORT OF DIRECTORS

### CHARITABLE DONATION

Charitable donations made by the Group in FY 2023 amounted to approximately HK\$1,103 (FY 2022: Nil).

### MAJOR SUPPLIERS AND CUSTOMERS

During FY 2023, sales from continuing operations to the Group's five largest customers accounted for 66.93% of the total sales in FY 2023 and sales from continuing operations to the largest customer included therein amounted to 20.09%. Purchases from continuing operations from the Group's five largest suppliers accounted for 53.53% of the total purchases in FY 2023 and purchase from continuing operations from the largest supplier included therein amounted to 28%.

Save as disclosed, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

### MATERIAL RELATED PARTY TRANSACTION

The material related party transactions in relation to the key management personnel remuneration as disclosed in note 12 to the consolidated financial statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.93 of the GEM Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 31 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

### COMPETING INTERESTS

Based on the information available to the Company and within the knowledge and belief of the Directors, none of the Directors or the controlling shareholders of the Company (as defined under the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group, or had any other conflict of interest with the Group during FY 2023.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During FY 2023, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required by the GEM Listing Rules as at the date of this annual report.

### CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 22 of this annual report.

## REPORT OF DIRECTORS

### EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 35 to the consolidated financial statements.

### AUDITORS

The consolidated financial statements in FY 2023 were audited by Yongtuo Fuson CPA Limited, who will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

**Jisheng Group Holdings Limited**

**Woo Lan Ying**

*Chairman*

Hong Kong, 26 March 2024

# INDEPENDENT AUDITOR'S REPORT



永拓富信會計師事務所有限公司  
YONGTUO FUSON CPA LIMITED

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF JISHENG GROUP HOLDINGS LIMITED**  
**(FORMERLY KNOWN AS SOLOMON WORLDWIDE HOLDINGS LIMITED)**  
*(Incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Jisheng Group Holdings Limited (formerly known as Solomon Worldwide Holdings Limited, the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 137, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.2 to the consolidated financial statements, during the year ended 31 December 2023, the Group incurred a loss attributable to owners of the Company from Continuing Operations of approximately HK\$6,898,000. These matters, along with other matters set forth in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures and plans being taken by the Group, are of the opinion that the Group would be able to continue as a going concern basis. Our opinion is not modified in respect of this matter.

## INDEPENDENT AUDITOR'S REPORT

### 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. In addition to the matters described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### The Key Audit Matter

##### ***Impairment of trade receivables***

As disclosed in note 20 to the consolidated financial statements, at 31 December 2023, the Group had trade receivables, net of allowance amounting to approximately HK\$5,707,000.

Allowance for trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

We identified assessing the recoverability of trade receivables as a key audit matter due to its significant to the consolidated financial statements as a whole and the assessment of recoverability of trade receivables and recognition of allowance are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.

#### How the matter was addressed in our audit

Our audit procedures in relation to impairment assessment of trade receivables included, among others, the following:

- Evaluating the Group's key internal controls and assessment process which govern credit control, debt collection and estimate of expected credit losses;
- Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;
- Assessing the reasonableness of management's allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising allowance; and
- Reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.

## INDEPENDENT AUDITOR'S REPORT

### The Key Audit Matter

#### ***Allowances of inventories***

As disclosed in note 19 to the consolidated financial statements, at 31 December 2023, the Group had inventories, net of allowances amounting to approximately HK\$11,962,000.

The Group operates in an industry in which developments in its cast metal products may result in inventories becoming slow moving or obsolete. Its customers may modify their products orders or shift their orders to other manufacturers which would result in changes in product and stock lines. These factors, in turn, may mean that affected inventories cannot be sold or sales prices are discounted to less than the inventory carrying value.

We identified write-down of inventories as a key audit matter due to its significant to the consolidated financial statements as a whole and the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subject to uncertainty as a result of change of competitor actions and market condition.

### How the matter was addressed in our audit

Our audit procedures in relation to allowances of included, among others, the following:

- Obtaining an understanding of the Group's internal controls and assessment process over making provisions for inventories;
- Assessing the appropriateness of the Group's methodology for determining its inventory provision in the light of our understanding of the business and the industry, including our professional judgement of the age and nature of inventory, past usage and new product launches;
- Assessing the appropriateness of management's decision on provisioning by examining the history or outcome of reversal of previously recorded provisions;
- Evaluating whether items were correctly categorised in the finished goods inventory ageing report by comparison with production records, on a sample basis;
- Testing the carrying value of inventories by comparing the carrying values to latest sales invoices for a representative sample of items to assess whether those items were held at the lower of cost or net realisable value; and
- Assessing the adequacy of the disclosures concerning management's judgements in their determining the carrying value of inventories.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do 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 HKSAAs 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.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, 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 of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

## INDEPENDENT AUDITOR'S REPORT

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

The engagement director on the audit resulting in this independent auditor's report is Lee Yan Fai.

**Yongtuo Fuson CPA Limited**

*Certified Public Accountants*

**Lee Yan Fai**

Practising Certificate Number: P06078

Hong Kong, 26 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
<b>Continuing Operations</b>			
<b>Revenue</b>	6	<b>53,776</b>	62,707
Cost of sales		<b>(39,754)</b>	(48,179)
<b>Gross profit</b>		<b>14,022</b>	14,528
Other income	7	<b>372</b>	196
Selling and distribution expenses		<b>(3,311)</b>	(3,844)
Administrative expenses		<b>(17,982)</b>	(16,274)
Share of result of an associate	17	<b>-</b>	-
Finance costs	8	<b>(559)</b>	(834)
<b>Loss before taxation</b>	9	<b>(7,458)</b>	(6,228)
Income tax expense	10	<b>-</b>	-
<b>Loss for the year from Continuing Operations</b>		<b>(7,458)</b>	(6,228)
<b>Discontinued Operation</b>			
Profit (loss) for the year from Discontinued Operation	11	<b>6,034</b>	(7,878)
<b>Loss for the year</b>		<b>(1,424)</b>	(14,106)
<b>Other comprehensive expense for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- Exchange differences on translation of financial statements of a foreign operation, net of tax		<b>(405)</b>	(1,684)
<b>Total comprehensive expense for the year</b>		<b>(1,829)</b>	(15,790)
(Loss) profit for the year attributable to owners of the Company:			
- From Continuing Operations		<b>(6,898)</b>	(6,228)
- From Discontinued Operation		<b>1,855</b>	(5,909)
		<b>(5,043)</b>	(12,137)
Profit (loss) for the year attributable to non-controlling interests:			
- From Continuing Operations		<b>(560)</b>	-
- From Discontinued Operation		<b>4,179</b>	(1,969)
		<b>3,619</b>	(1,969)
<b>Loss for the year</b>		<b>(1,424)</b>	(14,106)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
Total comprehensive income (expense) for the year attributable to owners of the Company:			
– From Continuing Operations		(7,303)	(7,912)
– From Discontinued Operation		1,855	(5,909)
		(5,448)	(13,821)
Total comprehensive income (expense) for the year attributable to non-controlling interests:			
– From Continuing Operations		(560)	–
– From Discontinued Operation		4,179	(1,969)
		3,619	(1,969)
<b>Total comprehensive expense for the year</b>		<b>(1,829)</b>	<b>(15,790)</b>
		<b>HK cents</b>	<b>HK cents (Restated)</b>
<b>Loss per share</b>	13		
From Continuing and Discontinued Operations			
– Basic and diluted		(16.13)	(58.04)
From Continuing Operations			
– Basic and diluted		(22.06)	(29.78)

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023  
(Expressed in Hong Kong dollars)

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	15	1,445	3,363
Right-of-use assets	16	2,012	2,713
Rental deposits	20	438	740
Interests in associates	17	–	4
Goodwill	18	–	–
		<b>3,895</b>	6,820
<b>Current assets</b>			
Inventories	19	11,962	18,287
Trade and other receivables	20	20,148	21,851
Contract assets	21	–	415
Cash and cash equivalents	22	5,483	2,799
		<b>37,593</b>	43,352
<b>Current liabilities</b>			
Trade and other payables	23	9,440	26,678
Contract liabilities	21	–	502
Amount due to a related party	24	–	3,632
Lease liabilities	25	2,699	2,444
Provision for reinstatement		–	700
Other borrowings	26	410	2,218
Tax payable		–	58
		<b>12,549</b>	36,232
<b>Net current assets</b>		<b>25,044</b>	7,120
<b>Total assets less current liabilities</b>		<b>28,939</b>	13,940
<b>Non-current liability</b>			
Lease liabilities	25	6,564	8,226
<b>NET ASSETS</b>		<b>22,375</b>	5,714

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023  
(Expressed in Hong Kong dollars)

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	27	30,547	16,973
Reserves		(7,612)	(4,812)
<b>Attributable to equity shareholders of the Company</b>			
Non-controlling interests		22,935	12,161
		(560)	(6,447)
<b>TOTAL EQUITY</b>			
		22,375	5,714

The consolidated financial statements on pages 55 to 137 were approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

**Ms. Woo Lan Ying**  
*Director*

**Mr. Shang Ruisen**  
*Director*

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Sub-total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital	Share premium	Exchange reserve	Capital reserve	Special reserve	Other reserve	Accumulated losses			
	HK\$'000 (note 27)	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000 (note iv)	HK\$'000 (note v)	HK\$'000			
<b>At 1 January 2022</b>	8,320	35,116	2,849	(7,045)	9	27,650	(56,946)	9,953	(4,478)	5,475
<b>Total comprehensive expense for the year</b>										
Loss for the year	-	-	-	-	-	-	(12,137)	(12,137)	(1,969)	(14,106)
Other comprehensive expense for the year										
- Exchange differences arising on translation of foreign operations	-	-	(1,684)	-	-	-	-	(1,684)	-	(1,684)
<b>Total comprehensive expense for the year</b>	-	-	(1,684)	-	-	-	(12,137)	(13,821)	(1,969)	(15,790)
Shares issued under the 2022 Rights Issue (note 27(i)(a))	4,160	5,103	-	-	-	-	-	9,263	-	9,263
Shares issued under the April 2022 Placing of Shares (note 27(i)(b))	1,664	972	-	-	-	-	-	2,636	-	2,636
Shares issued under the July 2022 Placing of Shares (note 27(i)(c))	2,829	1,308	-	-	-	-	-	4,137	-	4,137
Appropriation of special reserve	-	-	-	-	639	-	-	639	-	639
Utilisation of special reserve	-	-	-	-	(646)	-	-	(646)	-	(646)
<b>At 31 December 2022 and 1 January 2023</b>	16,973	42,499	1,165	(7,045)	2	27,650	(69,083)	12,161	(6,447)	5,714
<b>Total comprehensive income (expense) for the year</b>										
(Loss) profit for the year	-	-	-	-	-	-	(5,043)	(5,043)	3,619	(1,424)
Other comprehensive expense for the year										
- Exchange differences arising on translation of foreign operations	-	-	(405)	-	-	-	-	(405)	-	(405)
<b>Total comprehensive income (expense) for the year</b>	-	-	(405)	-	-	-	(5,043)	(5,448)	3,619	(1,829)
Shares issued under the January 2023 Subscription of Shares (note 27(ii)(a))	880	1,705	-	-	-	-	-	2,585	-	2,585
Shares issued under the March 2023 Subscription of Shares (note 27(ii)(b))	2,512	943	-	-	-	-	-	3,455	-	3,455
Shares issued under the 2023 Rights Issue (note 27(ii)(c))	10,182	-	-	-	-	-	-	10,182	-	10,182
Disposal of Discontinued Operation (note 11)	-	-	-	-	-	-	-	-	2,268	2,268
<b>At 31 December 2023</b>	30,547	45,147	760	(7,045)	2	27,650	(74,126)	22,935	(560)	22,375

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

Notes:

(i) Share premium reserve

Under the Companies Laws of the Cayman Islands where a company issues shares at a premium, whether for cash for otherwise, a sum equal to the aggregate amount of the value of the premiums on their shares shall be transferred to share premium account. The application of the share premium, account is governed by the Companies Laws of the Cayman Islands.

No distribution or dividend may be paid to shareholders of the Company out of the share premium account unless immediately following the date on which the distribution or the dividend is proposed to be paid, the Company will be in a position to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policy set out in note 3.3.

(iii) Capital reserve

The capital reserve represents the difference between the nominal value of the 47% issued capital of a subsidiary, G. Force (Hong Kong) Limited, previously held by Mr. Wong Thomas Wai Yuk, a substantial shareholder of the Group, acquired pursuant to the group reorganisation in preparation for the Listing and the consideration for acquiring 47% of the issued capital of the subsidiary from Mr. Wong Thomas Wai Yuk.

(iv) Special reserve

According to relevant PRC regulations, the Group is required to transfer an amount to special reserve for the safety production fund based on the turnover metal casting production in the PRC.

In accordance with Cai Qi 2012 No. 16 notice of printing and distributing Administrative Measures for the collection and Utilisation of Enterprise Safety Production Expenses, safety expenses of the metallurgy enterprises of the group located in China will be provided month by month based on the following standards with excessive and accumulative withdrawal method:

- (i) Provided 3% if the operating revenue does not exceed RMB10 million;
- (ii) Provided 1.5% if the operating revenue is RMB10 million to RMB0.1 billion;
- (iii) Provided 0.5% if the operating revenue is RMB0.1 billion to RMB1 billion;
- (iv) Provided 0.2% if the operating revenue is RMB1 billion to RMB5 billion;
- (v) Provided 0.1% if the operating revenue is RMB5 billion to RMB10 billion;
- (vi) Provided 0.05% if the operating revenue exceeds RMB10 billion;

When safety expenses of the enterprises is provided as per the standards, debit "cost of inventories sold" and credit "special reserve".

When the safety protection equipment and facilities are purchased with safety production reserve within specified limit, it should debit "construction in progress" and credit "cash and cash equivalents" based on the amount included into assets cost. The safe projects will be deemed as fixed assets upon completion and reaching the reserved serviceable condition; the special reserves will be written down as per the cost of fixed assets and the cumulative depreciation in the same amount will be confirmed: debit "special reserve" and credit "accumulated depreciation". The fixed asset will not withdraw depreciation later. But amount carried forward is within the limit of the balance of "special reserve" being offset to be zero.

When the safety protection reserve is used to pay the expenses in safety production inspection, evaluating expenditure, safety skills training and emergency rescue drill, it should be directly written down special reserve, debit "special reserve" and credit "cash and cash equivalents". The amount carried forward should be within the scope that the balance of "special reserve" is written down to zero.

(v) Other reserve

The other reserve represents the difference between the nominal amount of the share capital and share premium of a subsidiary, XETron Group Limited and the nominal amount of the share capital issued by the Company pursuant to the group reorganization in prior years.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	2023 HK\$'000	2022 HK\$'000 (Restated)
<b>Operating activities</b>		
Profit (loss) for the year		
– Continuing Operations	(7,458)	(6,228)
– Discontinued Operation	6,034	(7,878)
	(1,424)	(14,106)
Adjustments for:		
– Interest income	(11)	(4)
– Finance costs	559	1,073
– Depreciation of plant and equipment	2,500	3,748
– Depreciation of right-of-use assets	1,991	6,809
– Decrease in special reserve, net	–	(7)
– Reversal of impairment loss on trade and other receivables	–	(2,554)
– Impairment loss of plant and equipment	–	313
– Impairment loss of right-of-use assets	–	475
– Loss on disposal of plant and equipment	16	34
– (Reversal of) provision of inventories	(1,336)	73
– Impairment loss of amount due from an associate	448	–
– Loss on disposal of Discontinued Operation/subsidiaries	(6,882)	5
– Gain on lease modification	–	(5)
<b>Operating cash flows before movements in working capital</b>	(4,139)	(4,146)
Increase in contract assets	–	(32)
Decrease (increase) in inventories	7,661	(915)
(Increase) decrease in trade and other receivables	(1,083)	9,690
(Decrease) increase in trade and other payables	(6,464)	128
Increase (decrease) in contract liabilities	301	(2,745)
<b>Net cash (used in) generated from operating activities</b>	(3,724)	1,980
<b>Investing activities</b>		
Payment for purchase of plant and equipment	(693)	(1,856)
Payment for investment in an associate	–	(4)
Advance to an associate	(448)	–
Interest received	11	4
Net cash outflow on disposal of subsidiaries	(118)	(5)
<b>Net cash used in investing activities</b>	(1,248)	(1,861)

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	2023 HK\$'000	2022 HK\$'000 (Restated)
<b>Financing activities</b>		
Advance from a related party	–	1,250
Repayment to a related party	<b>(3,632)</b>	(6,675)
Proceeds from other borrowings	<b>410</b>	2,332
Repayment of other borrowings	<b>(2,296)</b>	(2,631)
Capital element of lease rentals paid	<b>(2,449)</b>	(7,175)
Interest element of lease rentals paid	<b>(486)</b>	(688)
Proceeds from issue of shares, net of expenses	<b>16,222</b>	16,036
<b>Net cash generated from financing activities</b>	<b>7,769</b>	2,449
<b>Increase in cash and cash equivalents</b>	<b>2,797</b>	2,568
<b>Cash and cash equivalents at 1 January</b>	<b>2,799</b>	1,310
Effect of foreign exchange rate changes	<b>(113)</b>	(1,079)
<b>Cash and cash equivalents at 31 December</b>	<b>5,483</b>	2,799
<b>Significant non-cash transaction:</b>		
Repayment of related party through increase of other borrowings	–	2,218

See accompanying notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 1. COMPANY INFORMATION

Jisheng Group Holdings Limited (formerly known as Solomon Worldwide Holdings Limited, the “Company”) was incorporated in the Cayman Islands on 24 February 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

Pursuant to the special resolution passed by the Company’s Extraordinary General Meeting held on 12 July 2023, the English name of the Company was changed from “Solomon Worldwide Holdings Limited” to “Jisheng Group Holdings Limited”, and the Chinese name “吉盛集團控股有限公司” be adopted and registered as the dual foreign name of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 33.

During the year and up to the Disposal Date (as defined in note 11), the Company and its subsidiaries (the “Group”) was principally engaged in: (i) designing, development, manufacturing and selling of cast metal products which are either sourced externally or are manufactured in the Group’s manufacturing facilities located primarily in the PRC (i.e. the “Metal Casting” business); and (ii) provision of financial printing, typesetting and translation services rendered in Hong Kong (i.e. the “Financial Printing” business). During the year ended 31 December 2023, the Company disposed of its Financial Printing business and thus, subsequent to the disposal of the Financial Printing business (the “Discontinued Operation”, and details of which are set out in note 11), the Group continues to be engaged in the Metal Casting business (the “Continuing Operations”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). Other than its major subsidiaries, G. Force (Hong Kong) Limited and KTech Industrial Technology (Huizhou) Limited, of which the functional currency is United States dollars (“USD”) and Renminbi (“RMB”), respectively, the functional currency of the Company and other subsidiaries is HK\$.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

#### *Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3.3 to the consolidated financial statements.

#### Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong (Continued)

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19 *Employee Benefits*. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 *Employee Benefits* before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 *Employee Benefits* after the Abolition.

The directors of the Company consider that the changes in the Group’s accounting policy in the current year had no material impact on the consolidated financial statements.

#### Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

1 Effective for annual periods beginning on or after a date to be determined.

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

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in Hong Kong dollars)

**3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION****3.1 Basis of preparation of consolidated financial statements**

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if participants would take those characteristics into account when pricing the asset or liability market at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.2 Going concern assessment

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

During the year ended 31 December 2023, the Group incurred a loss attributable to owners of the Company from Continuing Operations of approximately HK\$6,898,000 (2022: HK\$6,228,000). In addition, as at 31 December 2023, the Group had trade and other payables, lease liabilities and other borrowings amounted to approximately HK\$9,440,000 (2022: HK\$26,678,000), HK\$2,699,000 (2022: HK\$2,444,000) and HK\$410,000 (2022: HK\$2,218,000), respectively to be payable within one year after the year end of the reporting period or on demand which are included in the current liabilities, while its cash and cash equivalents amounted to approximately HK\$5,483,000 (2022: HK\$2,799,000) only.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The directors of the Company have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of at least the next twelve months from 31 December 2023. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months from 31 December 2023, after taking into consideration of the measures and plans made by the Group as detailed below:

- (i) During the year ended 31 December 2023, the Company completed its January 2023 Subscription of Shares, 2023 March Subscription of Shares and 2023 Rights Issue which brought net proceeds with an aggregated amount of approximately HK\$16,222,000 to the Group and details of which are set out in note 27(ii). The directors of the Company will consider to improve the financial position of the Group and to enlarge the capital base of the Company by further conducting fund raising exercises such as share placement, rights issues or others when necessary
- (ii) The Company obtained a letter of undertaking (the "Letter of Undertaking") from Mr. Chong Wai Moon, the Chief Operating Officer of the Company that he has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations cover a period of at least the next twelve months from 31 December 2023 and details of which are set out in note 24;
- (iii) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures; and
- (iv) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.2 Going concern assessment (Continued)

In light of the above measures and plans implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for a period of at least the next twelve months from 31 December 2023 after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its substantial shareholder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

#### 3.3 Material accounting policy information

##### *Basis of consolidation*

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Basis of consolidation (Continued)*

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

##### *Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the noncontrolling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Business combinations*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Inventories* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Business combinations (Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

##### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in Hong Kong dollars)

**3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****3.3 Material accounting policy information (Continued)*****Investments in associates***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Investments in associates (Continued)*

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

##### *Acquisition of additional interests in associates or joint ventures*

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

##### *Revenue from contracts with customers*

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments*. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Revenue from contracts with customers (Continued)*

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 6 to the consolidated financial statements.

##### *Leases*

###### *Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

###### *The Group as a lessee*

##### **Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Leases (Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets 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*

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* 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.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in Hong Kong dollars)

**3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****3.3 Material accounting policy information (Continued)*****Leases (Continued)***

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

***Lease modifications***

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

##### ***Borrowing costs***

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Government grants*

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are 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. Such grants are recognised as other income, rather than reducing the related expenses.

##### *Employee benefits*

##### *Retirement benefit costs*

Payments to the Mandatory Provident Fund Scheme and other PRC state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term and other long-term employee benefits*

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

##### *Taxation*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Taxation (Continued)*

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Plant and equipment*

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. 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.

Plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The items of plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual value:

Leasehold improvements	33% straight line or over the lease term, whichever is shorter
Plant and machinery	9% straight line
Office equipment	10% – 20% straight line
Motor vehicles	18% – 20% straight line

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

##### ***Impairment on plant and equipment and right-of-use assets, other than goodwill***

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### ***Impairment on plant and equipment and right-of-use assets, other than goodwill (Continued)***

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

##### *Inventories*

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

##### *Provisions*

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### *Contingent liabilities*

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

##### *Financial instruments*

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

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

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

Interest which are derived from the Group's ordinary course of business are presented as revenue.

##### *Financial assets*

###### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### *Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, contract assets, amount due from an associate and cash and cash equivalents which are subject to impairment assessment under HKFRS 9 *Financial Instruments*). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets.

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

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

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Financial assets (Continued)*

##### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

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

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

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- 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 has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

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

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 180 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

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Financial assets (Continued)*

##### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

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

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

##### *(iv) Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *(v) Measurement and recognition of ECL*

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

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Financial assets (Continued)*

##### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

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

##### *Derecognition of financial assets*

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

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

##### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial liabilities*

The Group recognised 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 recognised and the consideration paid and payable is recognised in profit or loss.

##### *Related parties*

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

#### 3.3 Material accounting policy information (Continued)

##### *Related parties (Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a)(i).
  - (vii) A person identified in (a)(ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

##### *Segment reporting*

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Critical judgements in applying accounting policies

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

#### Going concern consideration

As explained in note 3.2, the consolidated financial statements have been prepared on a going concern basis and have not included any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in note 3.2. The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for a period of at least the next twelve months from 31 December 2023.

#### Key sources of estimation uncertainty

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

#### Impairment of plant and equipment and right-of-use assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of assets*. Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and amount of operating costs. However, actual sales volumes, selling prices and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in Hong Kong dollars)

**4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)****Useful lives of plant and equipment**

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by referenced to the relevant industrial norm. If the actual useful lives of plant and equipment is less than the original estimated useful lives due to change in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

The carrying amounts of plant and equipment as at 31 December 2023 are set out in note 15.

**Impairment of trade and other receivables**

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history and forward-looking information of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

As at 31 December 2023, the carrying amount of trade and other receivables are set out in note 20.

**Impairment of inventories**

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer salesable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and judgements on the conditions and usefulness of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise.

As at 31 December 2023, the carrying amount of inventories are set out in note 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management (i.e. the chief operating decision-maker ("CODM")) for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Metal Casting business: this segment is involved in design, development, manufacture and sale of cast metal products. These products are either sourced externally or are manufactured in the Group's manufacturing facilities located primarily in the PRC.
- Financial Printing business: this segment is involved in the financial printing, typesetting and translation services rendered in Hong Kong.

As explained in note 11, during the year ended 31 December 2023, the Company disposed of its 75% equity interest in Solomon Holdings Group Limited which is mainly engaged in the provision of financial printing services in Hong Kong. Subsequent to the disposal, the directors of the Company decided to cease its Financial Printing business (the "Discontinued Operation") and the Group continues to be engaged in the Metal Casting business (the "Continuing Operations").

#### Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, goodwill and current assets with the exception of other financial assets and other corporate assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the manufacturing and sales activities of the individual segments and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interests, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation" is regarded as including impairment losses on non-current assets. To arrive at the adjusted EBITDA, the Group's earnings are further adjusted or items not specially attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 5. SEGMENT INFORMATION (Continued)

#### Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments from Continuing Operations and Discontinued Operation as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2023 and 2022 is set out below.

	Continuing Operations		Discontinued Operation		Total	
	2023 HK\$'000	2022 HK\$'000	2023* HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment revenue</b>						
External sales	53,776	62,707	528	12,189	54,304	74,896
<b>Segment results</b>	(7,458)	102	(848)	(7,878)	(8,306)	(7,776)
Gain on disposal of Disposal Operation					6,882	-
Unallocated finance costs					N/A	(688)
Unallocated head office, corporate expenses and other income					N/A	(5,642)
Consolidated loss for the year					(1,424)	(14,106)
<b>Segment assets</b>	41,488	38,276	N/A	4,325	41,488	42,601
Unallocated head office and corporate assets					N/A	7,571
Consolidated total assets					41,488	50,172
<b>Segment liabilities</b>	(19,113)	(19,013)	N/A	(12,250)	(19,113)	(31,263)
Unallocated head office and corporate liabilities					N/A	(13,195)
Consolidated total liabilities					(19,113)	(44,458)
<b>Other segment information</b>						
Interest income	11	4	-	-	11	4
Interest expense	559	834	-	239	559	1,073
Depreciation and amortisation	(4,491)	(7,918)	-	(2,639)	(4,491)	(10,557)
Reversal of (impairment losses) on:						
- Plant and equipment	-	-	-	(313)	-	(313)
- Right-of-use assets	-	-	-	(475)	-	(475)
- Trade receivables	-	-	-	2,554	-	2,554
- Inventories	1,336	(73)	-	-	1,336	(73)
- Amount due from an associate	(448)	-	-	-	(448)	-
Addition to non-current segment assets	693	1,781	-	75	693	1,856

\* The amounts represent the financial information of the Group's Financial Printing business companies during period from 1 January 2023 to Disposal Date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 5. SEGMENT INFORMATION (Continued)

#### Geographic information

The following table sets out information regarding the Group's Continuing Operations and Discontinued Operation about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's plant and equipment, right-of-use assets and goodwill ("Specified Non-current Assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the Specified Non-current Assets is based on the physical location of the asset, in the case of plant and equipment, the location of the operation to which they are allocated in the case of plant and equipment, right-of-use assets and goodwill.

#### Revenue from external customers

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing		2023	2022
	2023	2022	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Germany	41,124	44,036	-	-	41,124	44,036
Hong Kong	-	207	528	12,189	528	12,396
The PRC	1,497	5,101	-	-	1,497	5,101
The United States	10,803	13,025	-	-	10,803	13,025
Others, mainly cover Canada and Australia	352	338	-	-	352	338
	53,776	62,707	528	12,189	54,304	74,896

#### Non-current assets information

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing		2023	2022
	2023	2022	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	502	-	-	-	502
The PRC	3,457	5,574	-	-	3,457	5,574
	3,457	6,076	-	-	3,457	6,076

#### Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue, is set out below:

	2023	2022
	HK\$'000	HK\$'000
Customer A*	10,548	15,001
Customer B*	10,803	13,025
Customer C*	5,756	-

\* Revenue was generated from Metal Casting business segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### (a) Disaggregation of revenue from contracts with customers

- (i) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by categorise of major product lines and business.

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing		2023	2022
	2023	2022	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from contracts with customers by category within the scope of HKFRS 15</b>						
<b>Metal Casting business:</b>						
Sales of cast metal products	53,776	62,707	-	-	53,776	62,707
<b>Financial Printing business:</b>						
- Provision of integrated commercial and financial printing services	-	-	528	10,719	528	10,719
- Provision of financial printing services on Initial Public Offering ("IPO") projects	-	-	-	1,470	-	1,470
	53,776	62,707	528	12,189	54,304	74,896

- (ii) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by timing of revenue recognition.

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing		2023	2022
	2023	2022	2023	2022		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from contracts with customers by timing within the scope of HKFRS 15</b>						
<b>Metal casting:</b>						
Sales of cast metal products						
- Point-in-time	53,776	62,707	-	-	53,776	62,707
- Over time	-	-	-	-	-	-
<b>Financial printing service income:</b>						
- Point-in-time	-	-	528	10,719	528	10,719
- Over time	-	-	-	1,470	-	1,470
	53,776	62,707	528	12,189	54,304	74,896

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

#### (a) Disaggregation of revenue from contracts with customers (Continued)

- (iii) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by geographical markets.

Information about the Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by geographical markets is set out in note 5.

#### (b) Contract balances

	Notes	As at 31 December 2023 HK\$'000	2022 HK\$'000	As at 1 January 2022 HK\$'000
Trade receivables	20	5,707	14,373	21,286
Less: Allowances		–	(5,524)	(8,078)
		5,707	8,849	13,208
Contract assets	21(a)	–	415	1,099
Contract liabilities	21(b)	–	502	3,247

Details of the Group's trade receivables, contract assets and contract liabilities are set out in notes 20, 21(a) and 21(b).

#### (c) Performance obligations for contracts with customers and revenue recognition policies

During the year and up to the Disposal Date, the Group was principally engaged in: (i) designing, development, manufacturing and selling of cast metal products which are either sourced externally or are manufactured in the Group's manufacturing facilities located primarily in the PRC; and (ii) provision of financial printing, typesetting and translation services rendered in Hong Kong which comprise revenue from provision of integrated commercial and financial printing services and revenue from provision of financial printing services on IPO projects.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

#### (c) Performance obligations for contracts with customers and revenue recognition policies (Continued)

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

##### (i) *Revenue from designing, development, manufacturing and selling of cast metal products and related components*

Revenue from sales of cast metal products represents the sales value of goods supplied to customers, net of discounts, returns and value added tax or other sales taxes.

The Group enters into sales contracts with customers for each transaction. Revenue from the sale of goods and services rendered is recognised based on the price specified in the contract when the customers take the possession of and accepted the products in accordance with the contracts with the customers. If the products are a partial fulfillment of a contract, then the amount of revenue recognition is an appropriate proportion of the total transaction price under the contract. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Delivery occurs when the products have been shipped to the specific location in accordance with the contracts with the customers.

No significant financing component is deemed present as the sales are made with a credit term ranging from 30 days to 90 days to its customers, which is consistent with market practice.

A receivable is usually recognised when revenue recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### (ii) *Revenue from provision of integrated commercial and financial printing services*

Revenue is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

##### (iii) *Revenue from provision of financial printing services on IPO projects*

Revenue is recognised over time as the performance obligation is satisfied when the customer receives and uses the benefits simultaneously. For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Company applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Company's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Company to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

#### (c) Performance obligations for contracts with customers and revenue recognition policies (Continued)

##### (iv) Others

##### *Interest income*

Interest income is recognised as it accrues using the effective interest method.

##### *Government grants*

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 3.3 to the consolidated financial statements.

#### (d) Translation price allocated to remaining performance obligation for contracts with customers

The Group has applied the practical expedient of HKFRS 15 to its revenue contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under those revenue contracts that had an original expected duration of one year or less.

### 7. OTHER INCOME

The Group's other income from Continuing Operations and Discontinued Operation is as following:

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing			
	2023	2022	2023*	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income comprise of:						
Bank interest income	11	4	-	-	11	4
Government grants (note below)	-	-	-	883	-	883
Gain on lease modification	-	-	-	5	-	5
Sundry income	361	192	-	321	361	513
	372	196	-	1,209	372	1,405

\* The amounts represent the financial information of the Financial Printing business companies during for the period from 1 January 2023 to Disposal Date.

Note: During the year ended 31 December 2022, the Group received government grants which was mainly include funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government from Hong Kong Special Administrative Region.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 7. OTHER INCOME (Continued)

All government grants received are incentives as compensation of expenses or losses already incurred or as immediate financial support to the Company with no future related costs and no relation to any assets received upon fulfilling the conditions attached to them.

The Group did not have such government grants during the year ended 31 December 2023.

### 8. FINANCE COSTS

The Group's finance costs from Continuing Operations and Discontinued Operation is as following:

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing			
	2023	2022	2023*	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs comprise of:						
Interest expense on lease liabilities	481	532	-	156	481	688
Interest expense on other borrowing	78	299	-	-	78	299
Interest expenses on amount due to a director	-	3	-	83	-	86
	559	834	-	239	559	1,073

\* The amounts represent the financial information of the Financial Printing business companies during for the period from 1 January 2023 to Disposal Date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 9. LOSS BEFORE TAXATION

Loss before taxation from Continuing Operations and Discontinued Operation has been arrived at after charging (crediting):

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing		2023	2022
	2023	2022	2023*	2022		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration (note 12):						
Salaries, wages and other benefits	14,748	17,898	143	7,168	14,891	25,066
Contributions to defined contribution retirement plan	1,242	1,655	5	314	1,247	1,969
	15,990	19,553	148	7,482	16,138	27,035
Depreciation and amortisation of:						
- Plant and equipment	2,500	2,794	-	954	2,500	3,748
- Right-of-use assets	1,991	5,124	-	1,685	1,991	6,809
	4,491	7,918	-	2,639	4,491	10,557
(Reversal of) impairment losses on:						
- Plant and equipment	-	-	-	313	-	313
- Right-of-use assets	-	-	-	475	-	475
- Trade receivables	-	-	-	(2,554)	-	(2,554)
- Inventories	(1,336)	73	-	-	(1,336)	73
- Amount due from an associate	448	-	-	-	448	-
	(888)	73	-	(1,766)	(888)	(1,693)
Other items:						
Auditor's remuneration	460	460	-	-	460	460
Cost of sales (note (i) below)	39,754	48,179	486	7,928	40,240	56,107
Loss on disposal of plant and equipment	16	34	-	-	16	34
Net exchange loss	697	307	-	-	697	307
Loss on disposal of subsidiaries (note (ii) below)	-	5	-	-	-	5

\* The amounts represent the Group's financial information of the Financial Printing business companies during for the period from 1 January 2023 to Disposal Date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 9. LOSS BEFORE TAXATION (Continued)

Notes:

- (i) Cost of sales includes HK\$9,548,000 (2022: HK\$11,199,000) relating to staff costs, depreciation of plant and equipment and right-of-use assets and the amounts are included in the respective total amounts disclosed separately above.
- (ii) During the year ended 31 December 2022, the Company disposed of its entire equity interest in a subsidiary, Solomon Corporate Service Limited, resulting in a loss on disposal of the subsidiary of HK\$5,000 which was charged to profit or loss for the year ended 31 December 2022.

### 10. INCOME TAX EXPENSE

Taxation from Continuing Operations and Discontinued Operation in the consolidated statement of profit or loss and other comprehensive income represents:

	Continuing Operations		Discontinued Operation		Total	
	Metal casting		Financial printing			
	2023	2022	2023*	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
- Hong Kong Profits Tax	-	-	-	-	-	-
- PRC Enterprise Income Tax	-	-	-	-	-	-
	-	-	-	-	-	-

Pursuant to the income tax rule and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to income tax in the respective jurisdictions.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the years ended 31 December 2023 and 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The provision for PRC Enterprise Income Tax of the Group's PRC subsidiaries is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

One of the Group subsidiary, KTech Industrial Technology (Huizhou) Limited was accredited as a "Hi-tech Enterprise" for three years starting from 22 December 2022 and such qualification expired on 21 December 2025, effective from December 2023 to enjoy a preferential CIT rate of 15%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 10. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax and PRC Enterprise Income tax has been made for the year ended 31 December 2023 as the Company and its subsidiaries have no Hong Kong and PRC assessable profits.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	<b>(7,458)</b>	(6,228)
Tax at applicable tax rates applicable to profit or loss in the jurisdictions concerned	<b>(1,465)</b>	(1,015)
Tax effect of non-taxable income	<b>(2)</b>	(2)
Tax effect of non-deductible expenses	<b>1,789</b>	776
Tax effect of tax losses and other temporary differences not recognised	<b>23</b>	241
Tax effect on utilisation of tax losses previously not recognised	<b>(345)</b>	–
Income tax expense	–	–

At 31 December 2023, the Group has unused tax losses of HK\$9,705,000 (2022: HK\$11,796,000) that may arise deferred tax assets. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely. Of the total tax losses, HK\$6,433,000 (2022: HK\$6,433,000) will expire within 5 years and the remaining tax losses of HK\$3,272,000 (2022: HK\$5,363,000) have no expiry date under the current tax legislation.

As 31 December 2023 and 2022, no aggregate amount of temporary differences associated with the PRC subsidiary's undistributed retained profits for which deferred tax liabilities has been recognised and no deferred tax liabilities have been recognised in respect of these differences as the Company is in a position to control the dividend policies of the PRC subsidiary and no distribution of such profits is expected to be declared by the PRC subsidiary in the foreseeable future.

At 31 December 2023, the Group did not have deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements (2022: HK\$5,940,000). No provision for deferred tax assets has been made) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised for both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 11. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF DISCONTINUED OPERATION

On 19 May 2023, the Company entered into a disposal agreement with an independent third party (the “Purchaser”) and pursuant to which, the Company has agreed to sell and the Purchaser has agreed to purchase the 75% equity interest in Solomon Holdings Group Limited at a consideration of HK\$75,000 (the “Disposal”). Solomon Holdings Group Limited and its subsidiaries are principally engaged in the provision of financial printing services in Hong Kong. Subsequent to the Disposal of the Discontinued Operation, the Group ceased its financial printing business (i.e “Discontinued Operation”).

The Disposal was completed on 19 May 2023 (the “Disposal Date”).

Information about the loss for the year attributable to the Discontinued Operation and the gain on disposal of the Discontinued Operation was set out as below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 have been reclassified to conform with the current year presentation in accordance with HKFRS 5 Non-current assets held for sale and discontinued operations:

	<b>1 January 2023 to 19 May 2023 HK\$'000</b>	Year ended 31 December 2022 HK\$'000
Loss for the period/year from Discontinued Operation	<b>(848)</b>	(7,878)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 11. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF DISCONTINUED OPERATION (Continued)

The results of the Discontinued Operation for the period from 1 January 2023 to the Disposal Date and the year ended 31 December 2022, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>1 January 2023 to 19 May 2023 HK\$'000</b>	Year ended 31 December 2022 HK\$'000
<b>Revenue</b>	<b>528</b>	12,189
Cost of sales	<b>(486)</b>	(7,928)
<b>Gross profit</b>	<b>42</b>	4,261
Other income	–	1,209
Selling and distribution expenses	–	(1,382)
Administrative expenses	<b>(890)</b>	(11,727)
Finance costs	–	(239)
<b>Loss before taxation from Discontinued Operation</b>	<b>(848)</b>	(7,878)
Income tax expense	–	–
Loss for the period/year from Discontinued Operation	<b>(848)</b>	(7,878)
Gain on disposal of Discontinued Operation	<b>6,882</b>	–
<b>Profit (loss) for the period/year from Discontinued Operation</b>	<b>6,034</b>	(7,878)
<b>Loss for the year/period from Discontinued Operation attributable to:</b>		
– Owners of the Company	<b>1,855</b>	(5,909)
– Non-controlling interests	<b>4,179</b>	(1,969)
	<b>6,034</b>	(7,878)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 11. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF DISCONTINUED OPERATION (Continued)

Profit (loss) for the period/year from Discontinued Operation include the following:

	<b>1 January 2023 to 19 May 2023 HK\$'000</b>	Year ended 31 December 2022 HK\$'000
Staff costs:		
– Salaries, wages and other benefits	143	7,168
– Contributions to defined contribution retirement plan	5	314
	<b>148</b>	7,482
Depreciation and amortisation of:		
– Plant and equipment	–	954
– Right-of-use assets	–	1,685
	–	2,639
(Reversal of) impairment losses on:		
– Trade and other receivables	–	(2,554)
– Plant and equipment	–	313
– Right-of-use assets	–	475
	–	(1,766)
Interest expenses	–	156
<b>Other items:</b>		
Cost of services	486	7,928
Short-term lease payments not included in the measurement of lease liabilities	–	75

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 11. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF DISCONTINUED OPERATION (Continued)

The cash flow of the Discontinued Operation for the period from 1 January 2023 to the Disposal Date and the year ended 31 December 2022, which have been included in the consolidated statement of cash flow, were as follows:

	1 January 2023 to 19 May 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Net cash inflows from operating activities	10,253	5,885
Net cash inflows from investing activities	–	–
Net cash inflows (outflows) from financing activities	494	(6,017)
Net cash inflows (outflow)	10,747	(132)

Information about the gain on disposal of the Discontinued Operation was set out as below:

	HK\$'000
<b>Consideration received:</b>	
Cash consideration	75
<b>Analysis of assets and liabilities over which control was lost:</b>	
Trade and other receivables	3,088
Contract assets	415
Cash and cash equivalents	193
Trade and other payables	(10,774)
Contract liabilities	(803)
Lease liabilities	(494)
Provision for reinstatement	(700)
Net liabilities disposed of	(9,075)
<b>Gain on disposal of Discontinued Operation:</b>	
Consideration received	75
Net assets disposed of	9,075
Non-controlling interests	(2,268)
Gain on disposal	6,882
<b>Net cash outflow arising on disposal:</b>	
Cash consideration received	75
Less: Cash and cash equivalents disposed of	(193)
	(118)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' and Chief Executive's remuneration

The emoluments paid or payable to the directors and Chief Executive of the Company for their services in connection with the management affairs of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation and the GEM Listing Rules are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>					
<b>Executive directors:</b>					
Ms. Woo Lan Ying	600	-	-	18	618
Mr. Shang Ruisen	186	-	-	-	186
<b>Independent non-executive directors:</b>					
Ms. Yuen Wai Man	200	-	-	-	200
Mr. Au Sui Keung Albert	200	-	-	-	200
Ms. Leung Shuk Lan	200	-	-	-	200
	<b>1,386</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>1,404</b>
<b>Year ended 31 December 2022</b>					
<b>Executive directors:</b>					
Ms. Woo Lan Ying	600	-	-	18	618
Mr. Shang Ruisen	360	-	-	-	360
Mr. Luk Chi Shing (resigned on 11 April 2022)	168	-	-	-	168
<b>Independent non-executive directors:</b>					
Ms. Yuen Wai Man (appointment on 11 April 2022)	144	-	-	-	144
Mr. Au Sui Keung Albert (appointment on 20 September 2022)	56	-	-	-	56
Ms. Leung Shuk Lan	200	-	-	-	200
Mr. Tang Yiu Wing (retired on 29 June 2022)	99	-	-	-	99
Mr. Wong Ka Shing (resigned on 11 April 2022) (Note below)	56	501	36	11	604
	<b>1,683</b>	<b>501</b>	<b>36</b>	<b>29</b>	<b>2,249</b>

Note: Other than the amount of HK\$56,000, Mr. Wong Ka Shing also received an amount of approximately HK\$548,000 in acting as the Company Secretary of the Company during the year ended 31 December 2022.

Further, Mr. Chong Wai Moon, the Chief Operating Officer and Mr. Wong Wai Yuk, the chief executive officer of the Company received remuneration amounted to HK\$606,667 and HK\$1,440,000 respectively for the year ended 31 December 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (a) Directors' and Chief Executive's remuneration (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022. No inducement payments to join or upon joining the Group or as compensation for loss of office were paid or payable to any director for the years ended 31 December 2023 and 2022.

#### (b) Five highest paid individuals

The five highest paid employees of the Group during the year ended 31 December 2023 included one director, details of whose remunerations are set out above. During the year ended 31 December 2022, no director of the Company is the five highest paid employees of the Group. Details of the remuneration for the remaining four highest paid employees (2022: the five highest paid employees) who are not directors of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other emoluments	3,700	3,236
Retirement scheme contributions	83	69
	<b>3,783</b>	3,305

The emoluments of these four (2022: five) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2023	2022
Nil - HK\$1,000,000	3	4
HK\$1,000,001 - HK\$1,500,000	1	1

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share from Continuing Operations and Discontinued Operation attributable to the owners of the Company is based on the following data:

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year attributable to owners of the Company		
– Continuing Operations	(6,898)	(6,228)
– Discontinued Operation	1,855	(5,909)
	<b>(5,043)</b>	(12,137)

*Weighted average numbers of ordinary shares for the purpose of basic earnings (loss) per share*

	2023 '000	2022 '000
Issued ordinary shares at 1 January	212,160	104,000
Effect of shares issued under the 2022 Rights Issue (note 27(i)(a))	–	50,047
Effect of shares issued under the April 2022 Placing of shares (note 27(i)(b))	–	14,190
Effect of shares issued under the July 2022 Placing of shares (note 27(i)(c))	–	14,725
Effect of shares issued under the January 2023 Subscription of Shares (note 27(ii)(a))	10,427	–
Effect of shares issued under the March 2023 Subscription of Shares (note 27(ii)(b))	22,625	–
Effect of 2023 Share Consolidation (note 27(ii)(c))	(220,691)	(164,666)
Effect of shares issued under the 2023 Rights Issue (note 27(ii)(c))	6,742	2,615
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>31,263</b>	20,911

	2023 HK\$ cents	2022 HK\$ cents
Basic earnings (loss) per share		
– Continuing Operations	(22.06)	(29.78)
– Discontinued Operation	5.93	(28.26)
Total basic loss per share attributable to the ordinary owner of the Company	<b>(16.13)</b>	(58.04)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 13. EARNINGS (LOSS) PER SHARE (Continued)

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the both years have been adjusted for the 2023 Share Consolidation and 2023 Rights Issue and details of which are set out in note 27(ii)(c).

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2022 have been adjusted for the 2022 Rights Issue and details of which are set out in note 27(i)(a).

No adjustment has been made to the basic earnings (loss) per share for the years ended 31 December 2023 and 2022 as the Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

### 14. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

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(Expressed in Hong Kong dollars)

### 15. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and equipment HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2022	14,368	11,354	4,136	528	30,386
Additions	1,622	207	18	9	1,856
Disposals	–	(308)	–	–	(308)
Exchange adjustments	(882)	(887)	(81)	(2)	(1,852)
At 31 December 2022 and 1 January 2023	15,108	10,366	4,073	535	30,082
Additions	–	609	59	25	693
Disposals	–	(144)	(22)	(9)	(175)
Disposal of Discontinued Operation (note 11)	(3,075)	–	(3,041)	–	(6,116)
Exchange adjustments	(340)	(293)	(28)	(1)	(662)
At 31 December 2023	11,693	10,538	1,041	550	23,822
<b>Accumulated depreciation and impairment:</b>					
At 1 January 2022	12,430	8,751	2,755	520	24,456
Charge for the year	2,034	776	933	5	3,748
Elimination on disposals	–	(274)	–	–	(274)
Impairment losses	–	238	75	–	313
Exchange adjustments	(791)	(698)	(33)	(2)	(1,524)
At 31 December 2022 and 1 January 2023	13,673	8,793	3,730	523	26,719
Charge for the year	1,394	1,014	83	9	2,500
Elimination on disposals	–	(130)	(21)	(8)	(159)
Elimination on disposal of Discontinued Operation (note 11)	(3,075)	–	(3,041)	–	(6,116)
Exchange adjustments	(299)	(242)	(25)	(1)	(567)
At 31 December 2023	11,693	9,435	726	523	22,377
<b>Carrying amounts:</b>					
At 31 December 2023	–	1,103	315	27	1,445
At 31 December 2022	1,435	1,573	343	12	3,363

As at 31 December 2022, the management reviewed the carrying value of the assets of the Group and assessed that the carrying values of non-current assets included in Metal Casting segment exceeded their recoverable amount in light of the current market conditions. Accordingly, the carrying amounts of the plant, equipment and right-of-use assets were written down to their recoverable amounts and thus, provision for impairments of HK\$313,000 and HK\$475,000 were recognised against the plant and equipment and right-of-use assets, respectively, by reference to valuations carried by an independent qualified professional valuer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 15. PLANT AND EQUIPMENT (Continued)

The recoverable amounts of assets of Metal Casting segment was determined based on value-in-use calculations. For impairment test purpose, the calculations used the pre-tax cash flow projections for the relevant operations based upon financial budgets and forecasts approved by the management covering the remaining useful lives of the assets and applying the discount rate of 16%.

As at 31 December 2023, the management reviewed the carrying value of the assets of the Group and assessed that the recoverable value of non-current assets included in Continuing Operations are higher than their carrying amounts in light of the current market conditions. Accordingly, no provision for impairments was made for the year.

### 16. RIGHT-OF-USE ASSETS

	<b>Leased properties</b> HK\$'000
<b>Cost:</b>	
At 1 January 2022	21,599
Additions	537
Modification of lease contracts	(689)
Exchange adjustments	(1,216)
At 31 December 2022 and 1 January 2023	20,231
Additions	1,430
Disposal of Discontinued Operation (note 11)	(11,944)
Exchange adjustments	(407)
At 31 December 2023	9,310
<b>Accumulated depreciation and impairment:</b>	
At 1 January 2022	10,909
Charge for the year	6,809
Impairment losses	475
Modification of lease contracts	(626)
Exchange adjustments	(49)
At 31 December 2022 and 1 January 2023	17,518
Charge for the year	1,991
Elimination on disposal of Discontinued Operation (note 11)	(11,944)
Exchange adjustments	(267)
At 31 December 2023	7,298
<b>Carrying amount:</b>	
At 31 December 2023	2,012
At 31 December 2022	2,713

The Group has obtained the right to use certain properties as its office premises and factory through tenancy agreements. The leases typically run for an initial period of 2 to 15 years and do not include variable lease payments and extension/termination option.

For the year ended 31 December 2023, the total cash outflows for leases is HK\$2,935,000 (2022: HK\$7,863,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 17. INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Cost of interests in associates	–	4
Share of post-acquisition profit (loss) and other comprehensive income (expense)	–	–
	–	4
Amount due from an associate	448	–
Less: Allowances	(448)	–
	–	4

The amount due from an associate is unsecured, interest-free and repayable on demand.

Details of the Group's associate at 31 December 2023 and 2022 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Group		Principal activities
			2023	2022	
Jisheng China (note (a) below)	Hong Kong	10,000	– (Note a below)	35%	Inactive
Henan Liangma (note (b) below)	PRC	(Note b below)	30%	–	Inactive

Notes:

(a) Jisheng Group (China) Limited (吉盛集團(中國)有限公司, "Jisheng China")

On 2 August 2022, the Group acquired 35% equity interest in Jisheng China, a private limited company incorporated in Hong Kong with a consideration of HK\$3,500. The Group has 35% ownership interest and voting rights in Jisheng China. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Jisheng China unilaterally, the directors of the Company conclude that the Group only has significant influence over Jisheng China and therefore it is classified as an associate of the Group as at 31 December 2022.

During the year ended 31 December 2023, the Group further increased the share injection in Jisheng China by 16% equity interest from 35% to 51% at an addition consideration of HK\$1,600 and subsequently, Jisheng China became a subsidiary of the Company.

During the year ended 31 December 2023 and 2022, Jisheng China remained inactive and the assets and liabilities and profit or loss of Jisheng China are insignificant and thus, no further information for the company has been presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 17. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Henan Liangmajisheng Tourism Development Co., Ltd.\* ("Henan Liangma")

During the year ended 31 December 2023, the Group acquired 30% equity interest in Henan Liangma, a private limited liability company incorporated in the PRC and until to the date of the approval for issuance of the consolidated financial statements, the Company have not been contributed the capital funds of approximately RMB6,003,000 to the Henan Liangma.

During the year ended 31 December 2023, Henan Liangma remained inactive and the assets and liabilities and profit or loss of Henan Liangma are insignificant and thus, no further information for the company has been presented.

\* For identification purposes only

### 18. GOODWILL

	HK\$'000
<b>Cost:</b>	
At 1 January 2022, 31 December 2022 and 1 January 2023	4,305
Disposal of Discontinued Operation (note 11)	(4,305)
31 December 2023	–
<b>Accumulated impairment:</b>	
At 1 January 2022, 31 December 2022 and 1 January 2023	(4,305)
Elimination on disposal of Discontinued Operation (note 11)	4,305
31 December 2023	–
<b>Net carrying amount</b>	
31 December 2023	–
31 December 2022	–

The goodwill has been allocated to the Discontinued Operation's cash-generating unit ("CGU") for impairment assessment.

During the year ended 31 December 2021, based on the value in use calculation, the directors considered that the recoverable amount of this CGU was found to be lower than its carrying amount. Impairment loss of HK\$4,305,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income for that year.

The recoverable amount of this CGU was determined based on value in use calculation by reference to the valuations carried by an independent qualified professional valuer. The key assumptions for the value in use calculation were those regarding the discount rate and growth in revenue and direct costs during the year ended 31 December 2021. Management estimated the discount rate of 15% using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. Changes in revenue and cost of sales were based on past experience and expectations of changes in the market.

The value in use calculation was derived from cash flow projection based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-year period had been extrapolated using a steady growth rate of 2% per annum.

As at 31 December 2022, the carrying value of the Group's goodwill is HK\$ Nil.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 19. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	2,541	3,097
Work in progress	5,747	7,449
Finished goods	1,138	2,570
Goods in transit	2,536	5,171
	<b>11,962</b>	18,287

The carrying amount of inventories for the Group as at 31 December 2023 is approximately HK\$11,962,000 (2022: HK\$18,287,000), net of allowance for inventories of approximately HK\$2,576,000 (2022: HK\$3,912,000). During the year ended 31 December 2023, the Group had a reversal of allowance of inventories of HK\$1,336,000 which has credited to cost of services for the year (2022: Impairment of HK\$75,000 has been charged to cost of services for the year).

### 20. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	5,707	14,373
Less: Allowances	–	(5,524)
	<b>5,707</b>	8,849
Deposits paid to suppliers	9,190	8,309
Deposits, prepayments and other receivables (note below)	5,689	5,433
	<b>20,586</b>	22,591
Analysed as:		
– Current	20,148	21,851
– Non-current	438	740
	<b>20,586</b>	22,591

Note: Out of which, the Group paid an aggregate amount of HK\$1,750,000 for building development relating to two construction agreements with two constructors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 20. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period ranging from 30 to 90 days to its trade customers. Before accepting any new customer, the management assesses the potential customer's credit quality and defines credit limits by customer.

The ageing analysis of trade debtors as of the end of the reporting period, based on invoice date and net of allowance, is as follows:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Within 30 days	<b>2,195</b>	1,179
31 to 60 days	<b>1,687</b>	2,779
61 to 90 days	<b>1,684</b>	4,384
Over 90 days but less than 1 year	<b>141</b>	507
	<b>5,707</b>	8,849

Included in the Group's trade and other receivables are the following amounts denominated in currencies other than the functional currencies of the relevant group entities are:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Euros	<b>255</b>	241
HK\$	<b>–</b>	2,685

### 21. CONTRACT ASSETS AND CONTRACT LIABILITIES

The balances (excluding those arising from increases and decreases both occurred within the same year) of contract assets and contract liabilities with customers within HKFRS 15 during the year are as follows:

	Notes	As at 31 December <b>2023</b> <b>HK\$'000</b>	2022 HK\$'000	As at 1 January 2022 HK\$'000
Contract assets	(a)	–	415	1,099
Contract liabilities	(b)	–	502	3,247

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 21. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Notes:

#### (a) Contract assets

The contract assets primarily relate to the Discontinued Operation's right to consideration for work performed and not billed on the financial printing services on IPO and other projects because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer contract assets to trade receivables upon achieving the specified milestones in the contracts.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

	HK\$'000
Balanced at 1 January 2022	1,099
Additions	32
Transferred to trade receivables	(716)
Balance at 31 December 2022 and 1 January 2023	415
Disposal of Discontinued Operation (note 11)	(415)
Balance at 31 December 2023	–

#### (b) Contract liabilities

The contract liabilities represent the Discontinued Operation's obligation to transfer performance obligation to customers for which the Group has received considerations from the customers.

When the Discontinued Operation receives a deposit before the provision of financial printing services on IPO and other projects commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

	HK\$'000
Balanced at 1 January 2022	3,247
Additions	1,502
Revenue recognised for the year	(4,247)
Balance at 31 December 2022 and 1 January 2023	502
Additions	301
Disposal of Discontinued Operation (note 11)	(803)
Balance at 31 December 2023	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 22. CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Bank balances	5,469	2,783
Cash on hand	14	16
	<b>5,483</b>	2,799

The Group's bank balances carried at fixed rates at the range of 0.1% to 0.875% per annum.

At 31 December 2023, the cash and cash equivalents of the Group denominated in Renminbi amounted to HK\$2,719,000 (2022: HK\$1,795,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in the Group's cash and cash equivalents are the following amounts denominated in currency other than the functional currencies of the relevant group entities is:

	2023 HK\$'000	2022 HK\$'000
HK\$	683	868

### 23. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	5,947	17,514
Accrued charges and other payables	3,493	9,164
	<b>9,440</b>	26,678

All of the trade and other payables are expected to be settled or recognised as income within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 23. TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of trade creditors as of the end of the reporting period, based on invoice date, is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	4,849	7,729
31 to 60 days	926	2,527
61 to 90 days	50	1,868
Over 90 days	122	5,390
	<b>5,947</b>	17,514

Included in the Group's trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group entities are:

	2023 HK\$'000	2022 HK\$'000
Euros	346	405
HK\$	-	11,750

### 24. AMOUNT DUE TO A RELATED PARTY

	2023 HK\$'000	2022 HK\$'000
<b>Related party</b>		
Close family member of Ms. Woo Lan Ying	-	3,632

The amount was unsecured, interest-free and was fully settled during the year ended 31 December 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 25. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Present value of the minimum lease payments for:		
– Office premises and factory	9,263	10,670
Lease liabilities payable:		
Within 1 year	2,699	2,444
After 1 year but within 2 years	2,408	2,049
After 2 years but within 5 years	4,156	5,997
After 5 years	–	180
	9,263	10,670
Analysed as:		
– Non-current	6,564	8,226
– Current	2,699	2,444
	9,263	10,670

During the year ended 31 December 2023, the Group entered into a new lease agreement in respect of renting properties of HK\$1,430,000 (2022: HK\$537,000)

As at 31 December 2023, lease liabilities of HK\$9,263,000 (2022: HK\$10,670,000) are recognised with related right-of-use assets of HK\$2,012,000 (2022: HK\$2,713,000). The lease agreements do not impose any covenants in 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.

### 26. OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Other unsecured borrowing, due within one year or on demand	410	2,218

As at 31 December 2023 and 2022, the other borrowings are interest free, due within one year or on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 27. CAPITAL AND RESERVES

The movements of the Company's authorised and issued share capital during the years ended 31 December 2023 and 2022 are as follows:

	2023		2022	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
At 1 January (ordinary share at HK\$0.08 per share)	1,250,000	100,000	1,250,000	100,000
2023 Share Consolidation (note (ii)(c) below)	(1,125,000)	–	–	–
At 31 December (ordinary share at HK\$0.8 per share/HK\$0.08 per share)	125,000	100,000	1,250,000	100,000
Ordinary shares, issued and fully paid				
At 1 January (ordinary share at HK\$0.08 per share)	212,160	16,973	104,000	8,320
Shares issued under the January 2023 Subscription of Shares (note (ii)(a) below)	11,000	880	–	–
Shares issued under the March 2023 Subscription of Shares (note (ii)(b) below)	31,400	2,512	–	–
2023 Share Consolidation (note (ii)(c) below)	(229,104)	–	–	–
Shares issued under the 2023 Rights Issue (note (ii)(c) below)	12,728	10,182	–	–
Shares issued under the 2022 Rights Issue (note (i)(a) below)	–	–	52,000	4,160
Shares issued under the April 2022 Placing of shares (note (i)(b) below)	–	–	20,800	1,664
Shares issued under the July 2022 Placing of shares (note (i)(c) below)	–	–	35,360	2,829
At 31 December (ordinary share at HK\$0.8 per share/HK\$0.08 per share)	38,184	30,547	212,160	16,973

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 27. CAPITAL AND RESERVES (Continued)

During the year ended 31 December 2022 and 2023, the movements of the authorised and issued share capital of the Company are as following:

**(i) During the year ended 31 December 2022**

**(a) 2022 Rights Issue**

Pursuant to the Company's announcement on 14 January 2022, all conditions set out in the prospectus of the Company dated 22 December 2021 relating to the Rights Issue (the "2022 Rights Issue") have been fulfilled and thus, the 2022 Rights Issue became unconditional on 10 January 2022. 52,000,000 new consolidated shares have been allotted and issued under the 2022 Rights Issue.

The Company raised net proceeds of approximately HK\$9,300,000 on the basis of one rights share for every two shares held on 21 December 2021 at a subscription price of HK\$0.2 per share, resulting in an increase in number of issued ordinary share of the Company from 104,000,000 to 156,000,000. The net proceeds from the 2022 Rights Issue are approximately HK\$9.3 million which were used as general working capital of the Group.

Details of the above are set out in the Company's announcements on 20 October 2021, 12 November 2021 and 14 January 2022, the circular and the prospectus of the Company on 27 October 2021 and 22 December 2021, respectively.

**(b) April 2022 Placing of shares**

Pursuant to the Company's announcement on 8 April 2022, a placing agent (the "April 2022 Placing Agent") and the Company entered into an agreement (the "April 2022 Placing Agreement") pursuant to which the April 2022 Placing Agent agreed to place up to 20,800,000 shares (the "April 2022 Placing Share(s)") to certain placees who are Independent Third Parties (the "April 2022 Placing").

The 20,800,000 April 2022 Placing Shares under the April 2022 Placing represented (i) approximately 13.33% of the existing issued share capital of the Company of 156,000,000 shares on 8 April 2022; and (ii) approximately 11.76% of the issued share capital of the Company as enlarged by the allotment and issue of the April 2022 Placing Shares of 176,800,000 shares. The aggregate nominal value of the April 2022 Placing Shares under the April 2022 Placing would be HK\$1,664,000.

The April 2022 Placing Price of HK\$0.13 represented a discount of approximately 13.33% to the benchmarked price of the shares, which was the higher of (i) the closing price of HK\$0.15 as quoted on the Stock Exchange on the date of the April 2022 Placing Agreement; and (ii) the average closing price of HK\$0.15 in the last five consecutive trading days prior to the date of the April 2022 Placing Agreement.

The April 2022 Placing Shares have been issued under the general mandate (the "2021 General Mandate") granted to the directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 29 June 2021 to approve the 2021 General Mandate.

Pursuant to the Company's announcement on 27 April 2022, all conditions of the April 2022 Placing Agreement have been fulfilled and the April 2022 Placing was completed on 27 April 2022.

The net proceeds from the April 2022 Placing, after deducting the placing commission and other expenses in connection with the April 2022 Placing from the gross proceeds, are approximately HK\$2,600,000 and are intended to be used as to (i) approximately HK\$2,000,000 for repayment of the other borrowings of the Group; and (ii) approximately HK\$600,000 for investments in potential new projects to be identified by the Group in the future. The net price of the April 2022 Placing Share is approximately HK\$0.125 per April 2022 Placing Share.

Details of the above are set out in the Company's announcements on 8 and 27 April 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 27. CAPITAL AND RESERVES (Continued)

#### (i) During the year ended 31 December 2022 (Continued)

##### (c) July 2022 Placing of shares

Pursuant to the Company's announcement on 8 July 2022, a placing agent (the "July 2022 Placing Agent") and the Company entered into an agreement (the "July 2022 Placing Agreement") pursuant to which the July 2022 Placing Agent agreed to place up to 35,360,000 shares (the "July 2022 Placing Share(s)") to certain placees who are Independent Third Parties (the "July 2022 Placing").

The 35,360,000 July 2022 Placing Shares under the July 2022 Placing represented (i) approximately 20% of the existing issued share capital of the Company of 176,800,000 shares on 8 July 2022; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the April 2022 Placing Shares of 212,160,000 shares. The aggregate nominal value of the July 2022 Placing Shares under the April 2022 Placing would be HK\$2,828,800.

The July 2022 Placing Price of HK\$0.12 represented a discount of approximately 12.41% to the benchmarked price of the shares, which was the higher of (i) the closing price of HK\$0.123 as quoted on the Stock Exchange on the date of the July 2022 Placing Agreement; and (ii) the average closing price of HK\$0.137 in the last five consecutive trading days prior to the date of the July 2022 Placing Agreement.

The July 2022 Placing Shares have been issued under the 2021 General Mandate.

Pursuant to the Company's announcement on 2 August 2022, all conditions of the April 2022 Placing Agreement have been fulfilled and the April 2022 Placing was completed on 2 August 2022.

The net proceeds from the July 2022 Placing, after deducting the placing commission and other expenses in connection with the July 2022 Placing from the gross proceeds, are approximately HK\$4,100,000 and are intended to be used as to (i) approximately HK\$1,200,000 for repayment of the borrowings of the Group; and (ii) approximately HK\$2,900,000 to be used for general working capital of the Group and/or for investments in potential new projects to be identified by the Group in the future. The net price of the July 2022 Placing Share is approximately HK\$0.117 per July 2022 Placing Share.

Details of the above are set out in the Company's announcements on 8 July 2022 and 2 August 2022.

The above new issued shares in 2022 rank pari passu in all respects with each other in the share capital of the Company.

#### (ii) During the year ended 31 December 2023

##### (a) January 2023 Subscription of Shares

Pursuant to the Company's announcement on 13 January 2023, a subscriber (the "January 2023 Subscriber") entered into the subscription agreement (the "January 2023 Subscription Agreement") with the Company, pursuant to which the January 2023 Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue 11,000,000 subscription shares (the "January 2023 Subscription Shares") at the subscription price of HK\$0.235 per January 2023 Subscription Share (the "January 2023 Subscription Price") for an aggregate consideration of HK\$2,590,000 (the "January 2023 Subscription of Shares").

The January 2023 Subscription Price of HK\$0.235 per January 2023 Subscription Share represented: (i) a discount of approximately 16.07% to the closing price of HK\$0.28 per share as quoted on the Stock Exchange on 13 January 2023, being the date of the January 2023 Subscription Agreement; and (ii) a discount of approximately 14.23% to the average closing price of HK\$0.274 per share as quoted on the Stock Exchange for the last five trading days up to and including 12 January 2023, being the last trading day immediately prior to the date of the January 2023 Subscription Agreement.

The January 2023 Subscription Shares represented (i) approximately 5.18% of the issued share capital of the Company as at 13 January 2023; and (ii) approximately 4.93% of the issued share capital as enlarged by the issue of 11,000,000 January 2023 Subscription Shares (assuming that there would not be any change in the issued share capital of the Company between the date of the January 2023 Subscription Agreement and the completion date of the January 2023 Subscription of Shares save for the issue of such January 2023 Subscription Shares).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 27. CAPITAL AND RESERVES (Continued)

#### (ii) During the year ended 31 December 2023 (Continued)

##### (a) January 2023 Subscription of Shares (Continued)

The January 2023 Subscription of Shares have been issued under the general mandate granted to the directors by the Shareholders at the extraordinary general meeting of the Company held on 17 November 2022 to approve the general mandate (the "2023 General Mandate").

Pursuant to the Company's announcement on 20 January 2023, all conditions of the January 2023 Subscription Agreement have been fulfilled and shares issued under the January 2023 Subscription of Shares was completed on 20 January 2023.

The net proceeds from the January 2023 Subscription of Shares, after deducting the estimated expenses in relation to the January 2023 Subscription of Shares from the gross proceeds, are approximately HK\$2,590,000 and are intended to be used as to HK\$2,300,000 and HK\$290,000 for repayment of borrowings of the Group and for general working capital of the Group respectively.

Details of the above are set out in the Company's announcements on 13 January 2023 and 20 January 2023.

##### (b) March 2023 Subscription of Shares

Pursuant to the Company's announcement on 29 March 2023, two subscribers (the "March 2023 Subscribers") entered into the subscription agreements (the "March 2023 Subscription Agreements") with the Company, pursuant to which the March 2023 Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue 31,400,000 subscription shares (the "March 2023 Subscribers Shares") at the subscription price of HK\$0.11 per March 2023 Subscription Share (the "March 2023 Subscription Price") for an aggregate consideration of HK\$3,454,000 (the "March 2023 Subscription of Shares").

The March 2023 Subscription Price of HK\$0.11 per March 2023 Subscription Share represented: (i) a discount of approximately 13.39% to the closing price of HK\$0.127 per share as quoted on the Stock Exchange on 29 March 2023, being the date of the March 2023 Subscription Agreements; and (ii) a discount of approximately 19.71% to the average closing price of HK\$0.137 per share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the March 2023 Subscription Agreements.

The March 2023 Subscription Shares represented (i) approximately 14.07% of the issued share capital of the Company as at 29 March 2023; and (ii) approximately 12.34% of the issued share capital as enlarged by the issue of 31,400,000 March 2023 Subscription Shares (assuming that there would not be any change in the issued share capital of the Company between the date of the March 2023 Subscription Agreements and the completion date save for the issue of such March 2023 Subscription Shares).

The March 2023 Subscription of Shares has been issued under the 2023 General Mandate.

Pursuant to the Company's announcement on 13 April 2023, all conditions of the March 2023 Share Subscription Agreement have been fulfilled and the March 2023 Subscription of Shares was completed on 13 April 2023.

The net proceeds from the March 2023 Subscription of Shares, after deducting the estimated expenses in relation to the March 2023 Subscription of Shares from the gross proceeds, are approximately HK\$3,454,000 and are intended to be used as to HK\$3,454,000 for general working capital of the Group and/or for investments in potential new projects to be identified by the Group in the future.

Details of the above are set out in the Company's announcements on 29 March 2023 and 13 April 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 27. CAPITAL AND RESERVES (Continued)

#### (ii) During the year ended 31 December 2023 (Continued)

##### (c) 2023 Share Consolidation and 2023 Rights Issue

Pursuant to the Company's announcement on 5 June 2023 (the "June 2023 Announcement"), the Company circular dated 27 June 2023 and the Company's prospectus on 26 July 2023:

##### (1) 2023 Share Consolidation

The Company proposed to implement the share consolidation (the "2023 Share Consolidation") on the basis that every ten (10) issued and unissued existing shares (the "Existing Shares") of HK\$0.08 each in the share capital of the Company be consolidated into one (1) consolidated share of HK\$0.8 each. (the "2023 Consolidated Share").

As at the date of the 5 June 2023 announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 1,250,000,000 authorised shares of HK\$0.08 each, of which 254,560,000 Existing Shares have been issued and are fully paid or credited as fully-paid. Upon the 2023 Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further shares will be issued or repurchased from 5 June 2023 to the effective date of the 2023 Share Consolidation, the authorised share capital of the Company would become HK\$100,000,000 divided into 125,000,000 2023 Consolidated Shares of HK\$0.8 each, of which 25,456,000 2023 Consolidated Shares (which are fully paid or credited as fully-paid) would be in issue.

On 12 July 2023, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the 2023 Share Consolidation every ten (10) issued and unissued shares of HK\$0.08 each in the capital of the Company be consolidated into one (1) 2023 Consolidated Share of HK\$0.8 each which effective on 14 July 2023.

##### (2) 2023 Rights Issue

Upon the 2023 Share Consolidation becoming effective, the Company proposed to raise gross proceeds of approximately HK\$10,200,000, before expenses, by way of the rights issue (the "2023 Rights Issue") of up to 12,728,000 Rights Shares to the qualifying shareholders at a subscription price (the "Subscription Price") of HK\$0.8 per 2023 Rights Share on the basis of one (1) 2023 Rights Share for every two (2) 2023 Consolidated Shares held on 5 June 2023.

Pursuant to the Company's announcement on 17 August 2023, all conditions set out in the prospectus of the Company dated 26 July 2023 relating to the 2023 Rights Issue have been fulfilled and thus, the 2023 Rights Issue became unconditional on 17 August 2023. On 24 August 2023, the Company raised net proceeds of approximately HK\$9,000,000 on the basis of one 2023 Rights Share for every two 2023 Consolidated Shares held on 26 July 2023 at the Subscription Price of HK\$0.8 per 2023 Consolidated Share, resulting in an increase in number of issued ordinary share from 25,456,000 to 38,184,000. The net proceeds were used as capital contribution to the joint venture companies, investments in other business opportunities and general working capital of the Group.

Details of the above are set out in the Company's announcements on 5 June 2023, the circular and the prospectus of the Company on 26 June 2023 and 27 July 2023, respectively.

The above new issued shares in 2023 rank pari passu in all respects with each other in the share capital of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 28. DEFINED CONTRIBUTION RETIREMENT PLANS

The Group operates the Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (the “Ordinance”). The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately upon the completion of service in the relevant service period. There is no forfeited contribution that may be used by the Group to reduce the existing levels of contributions.

The Group’s PRC subsidiaries also participates in defined contribution retirement schemes covering its full-time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. There is no forfeited contribution that may be used by the Group to reduce the existing levels of contributions.

### 29. CAPITAL MANAGEMENT

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions.

The capital structure on the basis of net debt-to-capital ratio of the Group consists of net debt, which includes trade and other payables, lease liabilities and amount due to a related party, less cash and cash equivalents; and capital, which comprises all components of equity.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of debt and cost of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in Hong Kong dollars)

**30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk and concentration risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade and other receivables, and contract assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Substantially all the Group's cash and cash equivalents are deposited in financial institutions in Hong Kong and the PRC. The credit risk is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit rating agencies or stated-controlled financial institutions with good reputations. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into the account (i) the landlord's credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which customers operate and therefore significant concentrations of credit risk primarily arise when the significant exposure to individual customers. At the end of the reporting period, the Group has a certain concentration of credit risk as 30% (2022: 14%) and 72% (2022: 57%) of the trade debtors was due from the largest customer and the five largest customers respectively.

In respect of trade debtors, management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. 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. The Group allows an average credit period of 30 to 90 days (2022: 30 to 90 days) to its trade customers. Normally, the Group does not obtain collateral from customers. Management considers the aggregate risks arising from the possibility of credit losses are limited and to be acceptable.

The group measures allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the allowance based on past due status is distinguished between the Group's different customer bases and separate the customer bases by operation segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (a) Credit risk and concentration risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	Expected loss rate %	Gross carrying amount HK\$'000	Allowance HK\$'000	Net carrying amount HK\$'000
<b>As at 31 December 2022</b>				
Current (not past due)	0.5%	1,179	(5)	1,174
Less than 1 month past due	1%	2,825	(23)	2,802
1 to 3 months past due	1%	4,422	(56)	4,366
3 months to 6 months past due	30%	447	(133)	314
6 months to 1 year past due	74%	735	(542)	193
More than 1 year past due	100%	4,765	(4,765)	–
		14,373	(5,524)	8,849

Expected loss rates are based on actual loss experience for the year ended 31 December 2022. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2023, the Group has assessed that the expected loss rates for its trade receivables are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial. Thus, no loss allowance provision for trade receivables were recognised for the year ended 31 December 2023.

Movement in the allowance account in respect of trade receivables during the years ended 31 December 2022 and 2023 is as follows:

	2023 HK\$'000	2022 HK\$'000
Balance at 1 January	5,524	8,078
Reversal of provision for impairment losses recognised during the year	–	(2,554)
Disposal of Discontinued Operation (note 11)	(5,524)	–
Balance at 31 December	–	5,524

The credit risk of contract assets and other receivables is considered to be insignificant as there is no information indicating that contract assets and other receivables had a significant increase in credit risk since initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Having considered the factors and circumstances set out in note 3.2 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve from the end of the reporting period.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	More than 5 years HK\$'000
<b>As at 31 December 2023</b>					
Trade and other payable	9,440	9,440	9,440	–	–
Lease liabilities	9,263	10,193	3,124	7,069	–
Other borrowings	410	410	410	–	–
	19,113	20,043	12,974	7,069	–
<b>As at 31 December 2022</b>					
Trade and other payable	26,678	26,678	26,678	–	–
Lease liabilities	10,670	12,005	2,914	8,911	180
Other borrowings	2,218	2,384	2,384	–	–
Amount due to a related party	3,632	3,632	3,632	–	–
	43,198	44,699	35,608	8,911	180

In order to manage the liquidity demands above, at 31 December 2023, HK\$5,483,000 (2022: HK\$2,799,000) of the Group's assets, was held as cash that is considered readily realisable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits, and fair value interest rate risk in relation to fixed-rate lease liabilities and fixed-rate other borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

The management considered that the Group's exposure to the interest rate risk on financial assets and liabilities is not significant due to short-term maturities. Accordingly, no sensitivity analysis is presented.

#### (d) Foreign currency risk

Group's major operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The management considered that the Group's exposure to the foreign current risk on financial assets and liabilities is not significant. Accordingly, no sensitivity analysis is presented.

#### (e) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	<b>13,896</b>	13,262
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>19,113</b>	43,198

#### (f) Fair value measurement

Fair value of financial assets/liabilities carried at other than fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities 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.

	Lease liabilities (note 25) HK\$'000	Amount due to a related party (note 24) HK\$'000	Other borrowings (note 26) HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>				
<b>As at 1 January 2022</b>	18,266	11,189	–	29,455
<i>Changes from financing cash flows:</i>				
– Repayment to a related party	–	(6,675)	–	(6,675)
– Repayment of other borrowings	–	–	(2,631)	(2,631)
– Interest element of lease liabilities paid	(688)	–	–	(688)
– Capital element of lease liabilities paid	(7,175)	–	–	(7,175)
– Advance from a related party	–	1,250	–	1,250
– Proceeds from other borrowings	–	–	2,332	2,332
<i>Non-cash changes:</i>				
– Repayment to a related party through the increase of other borrowings	–	(2,218)	2,218	–
– Increase in lease liabilities from entering into new leases during the year	537	–	–	537
– Lease modification	(68)	–	–	(68)
– Finance costs	688	86	299	1,073
– Exchange adjustments	(890)	–	–	(890)
<b>At 31 December 2022</b>	<b>10,670</b>	<b>3,632</b>	<b>2,218</b>	<b>16,520</b>
<b>For the year ended 31 December 2023</b>				
<b>As at 1 January 2023</b>	10,670	3,632	2,218	16,520
<i>Changes from financing cash flows:</i>				
– Repayment to a related party	–	(3,632)	–	(3,632)
– Repayment of other borrowings	–	–	(2,296)	(2,296)
– Interest element of lease liabilities paid	(486)	–	–	(486)
– Capital element of lease liabilities paid	(2,449)	–	–	(2,449)
– Proceeds from other borrowings	–	–	410	410
<i>Non-cash changes:</i>				
– Increase in lease liabilities from entering into new leases during the year	1,430	–	–	1,430
– Disposal of Discontinued Operation (note 11)	(494)	–	–	(494)
– Finance costs	481	–	78	559
– Exchange adjustments	111	–	–	111
<b>At 31 December 2023</b>	<b>9,263</b>	<b>–</b>	<b>410</b>	<b>9,673</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 31. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Related party transactions and balances

Saved as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions and balances with related parties during the years ended 31 December 2022 and 2023:

Related parties	Nature of transaction	2023 HK\$'000	2022 HK\$'000
Ms. Woo Lan Ying (director)	Interest expense	–	86

Other balances with related parties are disclosed in the Company's statement of financial position and in note 24.

As described in note 3.2, the Company obtained the Letter of Undertaking from Mr. Chong Wai Moon, the Chief Operating Officer of the Company that he has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when he fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations cover a period of at least the next twelve months from 31 December 2023.

#### (b) Key management personnel remuneration

Remuneration for key management personnel of the Group represents amounts paid to the Company's directors as disclosed in note 12.

	2023 HK\$'000	2022 HK\$'000
Salaries and other emoluments	1,386	1,719
Retirement scheme contributions	18	–
	<b>1,404</b>	1,719

Total remuneration is included in "staff costs" (see note 9).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 32. FINANCIAL INFORMATION OF THE COMPANY

#### (a) Statement of financial position

	2023 HK\$'000	2022 HK\$'000
<b>Non-current asset</b>		
Investments in subsidiaries	30	2,024
<b>Current assets</b>		
Other receivables and prepayments	1,750	25
Amounts due from subsidiaries	3,864	7,517
Loan to a subsidiary	4,000	4,000
Cash and cash equivalents	1,561	300
	11,175	11,842
<b>Current liabilities</b>		
Other payables	1,450	2,144
Amounts due to subsidiaries	1,936	2,163
Other borrowings	410	2,218
	3,796	6,525
<b>Net current assets</b>	7,379	5,317
<b>NET ASSETS</b>	7,409	7,341
<b>CAPITAL AND RESERVES</b>		
Share capital	30,547	16,973
Reserves	(23,138)	(9,632)
<b>TOTAL EQUITY</b>	7,409	7,341

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 32. FINANCIAL INFORMATION OF THE COMPANY (Continued)

#### (b) Details of changes in the Company's individual components of reserves during the year:

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>At 1 January 2022</b>	8,320	35,116	(39,509)	3,927
<b>Changes in equity for 2022:</b>				
Loss and total comprehensive loss for the year	–	–	(12,622)	(12,622)
Shares issued under the 2022 Rights Issue (note 27(i)(a))	4,160	5,103	–	9,263
Shares issued under the April 2022 Placing of shares (note 27(i)(b))	1,664	972	–	2,636
Shares issued under the July 2022 Placing of shares (note 27(i)(c))	2,829	1,308	–	4,137
	8,653	7,383	–	16,036
<b>At 31 December 2022 and 1 January 2023</b>	16,973	42,499	(52,131)	7,341
<b>Changes in equity for 2023:</b>				
Loss and total comprehensive loss for the year	–	–	(16,154)	(16,154)
Shares issued under the January 2023 Subscription of Shares (note 27(ii)(a))	880	1,705	–	2,585
Shares issued under the March 2023 Subscription of Shares (note 27(ii)(b))	2,512	943	–	3,455
Shares issued under the 2023 Rights Issue (note 27(ii)(c))	10,182	–	–	10,182
	13,574	2,648	–	16,222
<b>At 31 December 2023</b>	30,547	45,147	(68,285)	7,409

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 33. SUBSIDIARIES' INFORMATION

Particulars of the Company's subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Attributable equity interest and voting power held by the Company		Principal activities
			2023	2022	
<b>Directly owned by the Company</b>					
XETron Group Limited	BVI	US\$10,000	100%	100%	Investment holding
Solomon Holdings Group Limited (note (i) below)	BVI	US\$100,000	-	75%	Dormant
Jisheng Investment and Management Limited (Formerly known as Genesis Investment and Consultant Limited)	Hong Kong	HK\$10,000	100%	100%	Investment holding
Jete Power Holdings Limited (note (ii) below)	Hong Kong	HK\$2	-	100%	Dormant
Jisheng Culture Tourism Development Limited (note (iii) below)	Hong Kong	HK\$10,000	100%	-	Investment holding
Jisheng Group (China) Limited (Formerly known as Henan Jisheng (Hong Kong) Energy and Chemical Industry Company Limited) (note 17)	Hong Kong	HK\$10,000	51%	35%	Dormant
Jisheng Group (Overseas) Limited (Formerly known as Liangma Jisheng Culture Tourism Development Limited) (note (iv) below)	Hong Kong	HK\$10,000	51%	-	Dormant
<b>Indirectly owned by the Company</b>					
XETron Enterprise Company Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
G.Force (Hong Kong) Limited	Hong Kong	HK\$10,000	100%	100%	Sales of cast metal products
KTech Industrial Technology (Huizhou) Limited*	The PRC	HK\$16,000,000	100%	100%	Manufacture and sales of cast metal products
Solomon Financial Press Limited (note (i) below)	Hong Kong	HK\$600,000	-	75%	Printing, typesetting and translation services
Shenzhen Jisheng Investment and Consulting Limited* (Formerly known as Shenzhen Mirage Consulting Management Company Limited) (note (vi) below)	The PRC	RMB10,000,000	100%	100%	Dormant
Henan Jisheng Cultural Media Group Co., Ltd.* (note (v) below)	The PRC	RMB5,001,000	51%	-	Dormant

Notes:

- (i) On 19 May 2023, the Company disposed of 75% entire equity interest in the company and its subsidiary, Solomon Financial Press Limited, resulting in a gain on disposal of the company of approximately HK\$6,882,000 which was charged to profit or loss for the year. The details of disposal of subsidiaries are set out in note 11.
- (ii) The subsidiary was deregistered on 6 April 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 33. SUBSIDIARIES' INFORMATION (Continued)

Notes: (Continued)

- (iii) The subsidiary was incorporated on 10 February 2023.
- (iv) The subsidiary was acquired on 17 February 2023 at a consideration of HK\$10,000.
- (v) The subsidiary was incorporated on 3 April 2023. Pursuant to the Article of the subsidiary, the Company agreed to contribute capital funds of RMB5,001,000 to the subsidiary. Till to the date of this report, the Company have not been contributed the capital funds to the subsidiary.
- (vi) Pursuant to the Article of the subsidiary, the Company agreed to contribute capital funds of RMB10,000,000 to the subsidiary. Till to the date of this report, the Company have not been contributed the capital funds to the subsidiary.

\* For identification purposes only

#### Details of non-wholly owned subsidiary that has material non-controlling interests

Summarised financial information in respect of Jisheng Group (China) Limited and its subsidiary as at 31 December 2023 and Solomon Holdings Group Limited and its subsidiaries as at 31 December 2022 that has material non-controlling interests ("NCI") are set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 HK\$'000	2022 HK\$'000
NCI percentage	49%	25%
Current assets	252	4,037
Non-current assets	–	288
Current liabilities	(1,379)	(29,413)
Non-current liabilities	–	(700)
Net liabilities	(1,127)	(25,788)
Carrying amount of NCI	(560)	(6,447)
Revenue	–	12,480
Loss for the year	(1,142)	(7,878)
Loss allocated to NCI	(560)	(1,969)

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(Expressed in Hong Kong dollars)

**34. CONTINGENT LIABILITIES**

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant contingent liabilities at the end of the reporting period.

**35. EVENTS AFTER THE END OF REPORTING PERIOD**

Saved as disclosed elsewhere in these consolidated financial statements, the Group had the following significant event after the end of the reporting period:

Pursuant to the Company's announcement dated 31 January 2024, the Company is negotiating a proposed bond subscription with an independent private investor, 珠海市天旗企業管理諮詢有限公司 (the "Bond Subscriber") pursuant to which the Bond Subscriber intended to subscribe and the Company intended to issue the bond. As at the date of the approval for issuance of the consolidated financial statements, the terms and conditions of the proposed issuance of bond are still being negotiated and no legally binding agreement(s) has been entered into.

# FIVE YEARS FINANCIAL SUMMARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Revenue					
– Continuing operations	50,983	85,599	48,268	62,707	<b>53,776</b>
– Discontinued operation	4,138	312	35,224	12,189	<b>528</b>
	<b>55,121</b>	<b>85,911</b>	<b>83,492</b>	<b>74,896</b>	<b>54,304</b>
(Loss) profit for the year attributable to owners of the Company					
– Continuing operations	(4,830)	(23,682)	(7,550)	(6,228)	<b>(6,898)</b>
– Discontinued operation	(5,657)	1,012	(6,452)	(5,909)	<b>1,855</b>
	<b>(10,487)</b>	<b>(22,670)</b>	<b>(14,002)</b>	<b>(12,137)</b>	<b>(5,043)</b>
(Loss) profit for the year attributable to non-controlling interest					
– Continuing operations	–	(1,559)	–	–	<b>(560)</b>
– Discontinued operation	–	–	(2,150)	(1,969)	<b>4,179</b>
	<b>–</b>	<b>(1,559)</b>	<b>(2,150)</b>	<b>(1,969)</b>	<b>3,619</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Total assets	54,034	70,896	65,485	50,172	<b>41,488</b>
Total liabilities	(26,294)	(49,476)	(60,010)	(44,458)	<b>(19,113)</b>
Total equity	27,740	21,420	5,475	5,714	<b>22,375</b>