MOMENTUM FINANCIAL
HOLDINGS LIMITED
正乾金融控股有限公司

MOMENTUM FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 1152

ANNUAL REPORT 2023

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Liu Xin Chen
Mr. Zhang Rujie

Independent non-executive directors

Mr. Man Wai Lun
Mr. Zhou Zhencun
Mr. Chen Yongping

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA

Room 2408
Rongchao Economic and Trade Center
No. 4028, Jintian Road
Fuzhong Community, Lianhua Street
Futian District, Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat C, 13/F
Unionway Commercial Centre
283 Queen's Road Central
Hong Kong

COMPANY SECRETARY

Ms. Ngan Wai Kam, Sharon

AUTHORISED REPRESENTATIVES

Ms. Ngan Wai Kam, Sharon
Mr. Liu Xin Chen

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chen Yongping *(Chairman)*
Mr. Man Wai Lun
Mr. Zhou Zhencun

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Man Wai Lun *(Chairman)*
Mr. Zhou Zhencun
Mr. Chen Yongping
Mr. Liu Xin Chen

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Zhou Zhencun *(Chairman)*
Mr. Man Wai Lun
Mr. Chen Yongping
Mr. Liu Xin Chen

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

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

Dah Sing Bank Limited
33/F., Everbright Centre
108 Gloucester Road
Hong Kong

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
24/F, Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.1152.com.hk

STOCK CODE

1152

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the provision of cross-border business and provision of finance leasing and consultancy service.

1. Cross-border business

The Group commenced its cross-border business since 2017, and expand its cross-border business under the S2B2C and B2C model. The S2B2C model is to provide value-added service to e-commerce distributors and/or end consumers in the PRC by (i) securing a cross-border e-commerce platform that integrates overseas direct procurement, import and export supply chain management; and (ii) leasing of several bonded warehouses, which allow the Group to efficiently import products into the PRC and maintain inventory to respond to customer orders in a swift manner, while providing custom clearance, warehouse storage and logistics assistance to its customers to strengthen its competitive edge.

The B2C model allows the Group to directly advertise and offer its products to end-consumers. The Group believed that the B2C model could diversify the source of income generated from its cross-border business segment.

2. Provision of finance leasing and consultancy service

The finance leasing business has been one of the principal businesses of the Group since 2014.

The Group's finance leasing and consultancy service are mainly conducted in the following ways:

(i) Direct finance leasing

Direct finance leasing generally involves the Group acquiring machinery or equipment directly from the supplier at the instruction of the Group's customer, which is then leased to the customer of the Group. The customer will then repay the financing amount, interest and handling fee to the Group in monthly instalments. The financing amount granted by the Group will usually be determined based on the purchase price of the machinery or equipment and the customer's creditworthiness and ability to repay. Upon the expiry of the lease term and full repayment of the lease payment, the ownership of the machinery or equipment will be transferred to the customer at a nominal price. In direct finance leasing, although the Group has legal ownership to the machinery or equipment underlying the lease during the lease term, substantially all the risks and rewards of the ownership are transferred to the customer through contractual relationship between the Group and the customer.

(ii) Sale and leaseback

Sale and leaseback typically involves a customer selling its owned machinery or equipment to the Group and the Group then lease back such machinery or equipment to this customer. This form of finance leasing is primarily used by customers who need working capital to fund their business operation. The customer will then repay the financing amount, interest and handling fee to the Group in monthly instalments. The financing amount granted by the Group will usually be determined based on the purchase price and depreciation of the machinery or equipment and the customer's creditworthiness and ability to repay. Upon the expiry of the lease term and full repayment of the lease payment, the ownership of the machinery or equipment will be transferred back to the customer at a nominal price. In sale and leaseback transaction, although the Group has legal ownership to the machinery or equipment underlying the lease during the lease term, substantially all the risks and rewards of the ownership are transferred to the customer through contractual relationship between the Group and the customer.

The Group's finance leasing and consultancy service team (the "**Team**"), with solid experience in finance lease and medical equipment sector, obtains information regarding upcoming potential pipeline projects from manufacturers, distributors, banks and other financial institutions. Upon obtaining such information, the Team will approach the potential customers for discussions and conduct due diligence for potential finance leasing cooperation, by ways of direct finance leasing or sales and leaseback.

Details for major terms of finance leasing as at 31 December 2023, including total outstanding finance lease receivables, maturity profile, interest rates, collaterals and/or guarantee obtained, are set out in note 19 to the Consolidated Financial Statements.

The Team will perform (i) background assessment; (ii) financial capability and repayment ability assessment; (iii) credit assessment; (iv) guarantor background assessment; (v) subject matter assessment; and (vi) industry assessment, in the assessment of the credit risks of customers. The Group's approval process includes due diligence, feasibility study, verification and credit risk assessment. For the monitory of each outstanding finance lease contract, the Team will records the ledger, issue payment reminders, closely follow up instalments, maintain communication with customers to follow up overdue instalments (if any), and commence appropriate proceedings to recover outstanding instalments.

Due to the stringent procedures adopted by the Group in taking new customers on board, there was no default in repayment since the commencement of the Group's finance leasing business. The accumulated impairment losses on finance lease receivables as at 31 December 2023 amounted to HK$12,000 (2022: HK$162,000) was provided by reference to the historical repayment pattern of the Group's finance lease debtors and certain other factors, including forward-looking elements, as to comply the requirements of HKFRS 9 Financial Instruments. Movements of the accumulated impairment losses on finance lease receivables during the year ended 31 December 2023 represent the net of: (1) decrease in outstanding finance lease receivables as compared to 31 December 2022; and (2) certain delays in repayments were recorded during the year ended 31 December 2023 (which were fully-recovered during the year ended 31 December 2023), which impacted the calculation of expected credit loss. The directors are of the view that the fact that no default in repayment has been recorded in respect of the finance lease business of the Group demonstrates that the internal control procedures for taking new customers/projects on board and the monitoring procedures are sound and effective.

In summary, during the year ended 31 December 2023, the Group had made strategic tailor-made arrangements to support the Group's position as follows: (i) it introduced new customers and suppliers; (ii) it strengthened product lines and platform for products; (iii) it improved operations and reducing operating costs; and (iv) it solicited new financing facilities in the market to support and strengthen the businesses and operations of the Group.

FINANCIAL REVIEW

Revenue

For the Year, cross-border business segment recorded a segment revenue of approximately HK$761.3 million (2022: HK$326.1 million), showing an increase of 133.5% comparing with last year. Finance leasing business segment recorded a segment revenue of approximately HK$0.3 million (2022: HK$0.8 million), showing a decrease of 62.5% comparing with last year.

The increase was mainly due to the Group's refinement of its S2B2C model and reoptimization of its product offerings.

Cost of Sales and Gross Profit

The Group's cost of sales during the Reporting Period increase by 133.6% to approximately HK$711.6 million compared to the year ended 31 December 2022 (the "**Corresponding Period**") which was driven by the increase in revenue.

The gross profit margin of the Group decreased from approximately 7.0% for the Corresponding Period to approximately 6.6% for the Reporting Period. The gross profit had increased by 117.3% to approximately HK$50.2 million compared to the Corresponding Period due to the increase in revenue. The decrease in gross profit margin was mainly due to the Group offer more competitive prices to the customers under the current intense market competition.

Expenses

The administrative and other expenses accounted for the largest portion of the operating cost. The administrative and other expenses increased by 33.7% to approximately HK$12.3 million when compared to the Corresponding Period, which is mainly because of the increase of revenue and relevant operating cost.

Tax

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the Year.

The tax rate applicable to the Group's PRC subsidiaries was 25% (2022: 25%) during the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately HK$19.5 million (2022: HK$15.2 million) for the Reporting Period. The significant increase in revenue leading to corresponding increase in profits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had total cash and bank balances of approximately HK$24.3 million as at 31 December 2023 (2022: HK$8.2 million). The current ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2023 and 31 December 2022 was 1.76 times and 1.31 times respectively. As at 31 December 2023, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$").

At 31 December 2023, the total borrowings of the Group were approximately HK$153.3 million (2022: HK$152.9 million) which comprised (i) loan from the ultimate holding company of HK$50 million (2022: HK$50 million); (ii) bank and other borrowings of HK$17.8 million (2022: HK$13.0 million); (iii) convertible bonds of HK$nil (2022: HK$42.5 million); (iv) promissory note of HK$33.8 million (2022: HK$35.4 million); (v) corporate bonds of HK$51.2 million (2022: HK$10.9 million); and (vi) lease liabilities of HK$0.5 million (2022: HK$1.1 million) respectively.

The loan from the ultimate holding company is carried at fixed interest rate of 9.5% (2022: 9.5%) per annum and repayable on demand.

The Group's bank borrowings are denominated in RMB, repayable in one year and bearing a fixed interest of 9.0% (2022: 8.4%) per annum.

The convertible bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and 24 June 2023. The bonds are convertible to an aggregated of 195,000,000 ordinary shares of the Company at HK$0.2 per share. If the bonds are not converted, they will be redeemed at par on 24 June 2023. Interest of 5% per annum will be accrued and settled with the outstanding principal of the convertible bonds at the maturity date. The Company and the bondholder had mutually agreed to extend the maturity date to 24 June 2025. Accordingly, the outstanding principal and interest were reclassified under corporate bonds.

The Group's corporate bonds were unsecured and bearing interest ranging from 5% to 7% per annum. As at 31 December 2023, the outstanding balance of corporate bonds are fully repayable within two year.

Apart from the borrowings of approximately HK$1.7 million (2022: HK$1.7 million) which were secured personal guarantee provided by certain director of a subsidiary and corporate guarantee provided by a subsidiary, others were unsecured. Short-term borrowings amounted to approximately HK$77.7 million (2022: HK$152.4 million), while others were long-term borrowings due after one year.

In order to support and expand the cross-border business, the Group will strive to diversify its financing sources and explore fund raising opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023.

GEARING RATIO

The gearing ratio was 37.0% as at 31 December 2023 (2022: 43.4%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year.

PLEDGE OF ASSETS

As at 31 December 2023, assets in the net book value of HK$220,000 (held under finance lease arrangement) of the Group had been pledged (2022: HK$281,000).

CAPITAL EXPENDITURE

For the Year, the Group incurred approximately HK$Nil (2022: HK$Nil) on the acquisition of property, plant and equipment.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$10.8 million (2022: HK$11.1 million).

FOREIGN EXCHANGE EXPOSURE

In respect of the cross-border business, the Group is mainly exposed to the currency risk of HK$/US$/RMB, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$ and HK$ against RMB.

In respect of the finance leasing business, the Group's receipts, payments and operating expenses are all transacted in RMB, in which the Group expects the currency risks would be insignificant.

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2023 (2022: Nil).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group has a total workforce of approximately 29 employees (2022: 48) in Hong Kong and the PRC.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group.

MATERIAL EVENTS

Trading in the Shares of the Company on the Stock Exchange has been suspended since 4 November 2021.

Reference is made to the announcement of the Company dated 23 June 2023, since the Resumption Guidance has been fulfilled, the trading of Shares of the Company on the Stock Exchange was resumed from 26 June 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the financial year ended 31 December 2023 and up to the date of this report, there is no significant or important event that affects the business of the Group.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in HK$, US$ and RMB, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Interest Rate Risk

For interest-sensitive products and investments, our Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorization system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

FUTURE PLANS FOR MATERIAL INVESTMENTS

To maintain a sufficient level of operations and assets of sufficient value to support its operations, the Group has been exploring ways to improve its financial performance and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or extending to other business as long as it is in the interest of the Company and the shareholders as a whole. Meanwhile, the Company does not preclude the possibility that the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects. In these regards, the Company will publish announcement as and when appropriate according to applicable rules and regulations.

OUTLOOK AND PROSPECT

According to the third-party research studies, the global B2C cross-border e-commerce market is reported to be valued at about HKD 6,123 billion in 2021, and the number is expected to rocket to about HKD 61.62 trillion by 2030. Research studies found out that China is the world's No.1 e-commerce market in 2021, accounting for 52.1% of global retail e-commerce sales share.

As an international business hub with a booming market, Hong Kong is no exception in witnessing rocketing ecommerce development. Hong Kong performs important functions and plays a significant role in the mainland cross-border retail and imports market. Due to the geographical proximity of Hong Kong to the mainland and duty-free policy on most of the imported products, Hong Kong is an ideal location for conducting cross-border business in the PRC.

Hong Kong's favourable business environment facilitates frequent international trade and goods flows and has made itself as a leading centre for purchasing imported products in the PRC. Under the "dual circulation" economic growth model, the mainland consumer market for imported products will continue to develop. As the mainland expands and liberalises its markets, Hong Kong is bound to share the benefits of the growing cross-border business.

As such, with the increasing number active users in the growing number of online e-commerce platforms, the Company believes that (i) mobile shopping has become the dominant form of online retail in the PRC, as consumers increasingly use their fragmented time to browse and shop anywhere and anytime on their preferring online e-commerce platforms; and (ii) the extensive logistics infrastructure and wide adoption of mobile payment have made mobile shopping increasingly efficient and convenient.

In light of above, the Company believes that the abovementioned trends are driving the continued growth of the e-commerce industry of the PRC, which provides an opportunity for expanding and enriching the scope of the cross-border business of the Company.

BOARD OF DIRECTORS

Executive directors

Mr. Liu Xin Chen ("Mr. Liu"), aged 59, has been an executive director of the Company since July 2019. He is also a director of various subsidiaries of the Company. He has been appointed as a member of the Nomination Committee and Remuneration Committee of the Company since 5 May 2020. Mr. Liu was an engineer with a bachelor degree in engineering from Shanghai Railway Institute of China. He has also engaged in international settlement and accounting field and has held management position in investment industry. He possesses more than twenty years experience in financial and investment sectors.

Mr. Zhang Rujie ("Mr. Zhang"), aged 51, has been an executive director of the Company since May 2022. Mr. Zhang graduated from Sichuan University with a master's degree in business administration, and is an expert member of Shenzhen QFLP Expert Committee. Mr. Zhang has extensive management experience in finance and trading, especially in cross-border financing, cross-border trading and private equity funds industries. Mr. Zhang is the holder of Responsible Officer licences issued by the Hong Kong Securities and Futures Commission to carry on type 4 and 9 regulated activities under the Securities and Futures Ordinance.

Independent non-executive Directors

Mr. Man Wai Lun ("**Mr. Man**"), aged 51, has been an independent non-executive Director of the Company, the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company since 27 August 2021. Mr. Man obtained his diploma in Business Management from the School of Continuing Education, Hong Kong Baptist University in 2003 and obtained a bachelor degree of accountancy from the University of South Australia in 2007. Mr. Man has over 17 years of experience in accounting.

Mr. Man is currently an independent non-executive director of Millennium Pacific Group Holdings Limited, a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8147), an executive director of Life Healthcare Group Limited, a company listed on the main board of the Stock Exchange (stock code: 928), an independent non-executive director of Elegance Optical International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 907) and an executive director of Century Group International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 2113).

Mr. Man was previously as an executive director of China Clean Energy Technology Group Limited, a company listed on the main board of the Stock Exchange (stock code: 2379) from 13 June 2022 to 3 October 2022 and an executive director of CT Environmental Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1363 delisted on 10 September 2021) from 4 February 2021 to 19 April 2021. Mr. Man was an independent non-executive director of China Trustful Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8265 delisted on 12 November 2021) from 5 February 2020 to 9 November 2020.

Mr. Zhou Zhencun ("Mr. Zhou"), aged 63, has been an independent non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and Remuneration Committee of the Company since 13 July 2022. Mr. Zhou finished his high school education in Chaonan District, Shantou, Guangdong Province in July 1980. Mr. Zhou has accumulated more than 42 years of working experience in trading and energy field.

Mr. Zhou is currently a non-executive director of Xinming China Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 2699).

Mr. Chen Yongping ("Mr. Chen"), aged 66, has been a independent non-executive Director, the chairman of the Audit Committee, a member of Nomination Committee and Remuneration Committee of the Company since 13 July 2022. Mr. Chen graduated from Guangdong Open University (formerly known as Guangdong Radio and Television University) in 1986, majoring in business accounting, and obtained the qualification of accountant in 1993. Mr. Chen has over 30 years of experience in the financial accounting and auditing industry.

Mr. Chen is currently the deputy director of Zhanjiang Zhenghe Certified Public Accountants Company Limited.

Save as disclosed herein, there is no other relationship between each of Directors and the senior management as required to be disclosed under the Listing Rules.

The Directors present their report together with the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2023 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 42 to 118 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2023.

The declaration and payment of dividends and the amount of dividends in future will be at the discretion of the Board and will depend on future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Board considers relevant.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the sections headed "Management Discussion & Analysis" on pages 4 to 10 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarized on pages 119 to 120 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

DONATIONS

There was none donation made by the Group during the year ended 31 December 2023 (2022: HK$ Nil).

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2023.

TAX RELIEF

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for cash distribution and distribution in specie were HK$Nil. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$190,049,000, are distributable in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of revenue and purchases attributable to the major customers and suppliers of the Group were as follows:

(i) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 61.1% of the total revenue of the Group for the year. The revenue attributable to the Group's largest customer represented approximately 35.9% of the Group's total revenue for the year.

(ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 75.3% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 50.2% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors, their close associates nor any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

The Group entered into 1 finance lease agreements as at 31 December 2023 (2022: 4).

DIRECTORS

During the year ended 31 December 2023, the composition of the Board as at the date of this report is as:

Executive directors

Mr. Liu Xin Chen
Mr. Zhang Rujie

Independent non-executive directors

Mr. Man Wai Lun
Mr. Zhou Zhencun
Mr. Chen Yongping

In accordance with the Company's bye-laws, Mr. Liu Xin Chen and Mr. Chen Yongping will retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Mr. Liu has entered into a service agreement with the Company pursuant to which his initial term of service commences from 2 July 2019 which is effective continuously, unless terminated in accordance with the terms of the service agreement. He is subject to retirement by rotation and re-election for at least once every three years at AGMs in accordance with the Bye-laws.

Mr. Zhang has entered into a service agreement with the Company pursuant to which his initial term of service commences from 5 May 2022 for a term of three years, unless terminated by either party giving to the other not less than one month's notice in writing and in accordance with the terms of the service agreement. He is subject to retirement by rotation and re-election at AGMs in accordance with the Bye-laws.

By a letter of appointment from the Company, the appointment of Mr. Man Wai Lun as an independent non-executive Director has an initial term of service for one year commencing from 27 August 2021, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company and shall be automatically renew unless both parties agreed in writing.

By a letter of appointment from the Company, the appointment of Mr. Zhou Zhencun as an independent non-executive Director has an initial term of service for one year commencing from 13 July 2022, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-laws of the Company and shall be automatically renew unless both parties agreed in writing.

By a letter of appointment from the Company, the appointment of Mr. Chen Yongping as an independent non-executive Director has an initial term of service for one year commencing from 13 July 2022, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-laws of the Company and shall be automatically renew unless both parties agreed in writing.

The Board has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the annual general meeting of the Company each year. The remuneration of the executive Directors is subject to the review by the Company's remuneration committee, and their remuneration is determined with reference to directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, their remuneration is determined by the Board, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

Details of Directors' emoluments during the year are set out in note 13 to the consolidated financial statements.

Save as aforesaid, 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 by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in section headed "Related Party Transactions and Connected Transactions" below and note 39 to the consolidated financial statements, no contracts, transactions or arrangements of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2023.

At no time during the year ended 31 December 2023 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 39 to the consolidated financial statements do not constitute a connected transaction or a continuing connected transaction of the Group as defined in and required to be disclosed under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

SHARE OPTION SCHEME

A share option scheme (the **"Scheme**") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011. The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. The total number of Shares available for issue under options which may be granted under the Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of the Company ("Scheme Mandate Limit") unless approved by the Shareholder. The Scheme Mandate Limit may be refreshed by the Shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of the Company at the date of the approval of the refreshment by the Shareholders of the Company in general meeting. No options may be granted under any scheme of the Company (including the Scheme) if this will result in the said 30% limit being exceeded. No option may be granted to any eligible participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible participant under the Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules. Subject to certain restrictions contained in the Scheme, an option may be exercised in accordance with the terms of the Scheme and the terms of grant thereof at any time during the applicable option period, which shall not be more than 10 years from the date of grant of option. Details of the Share Option Scheme were set out in the prospectus of the Company dated 18 October 2011. The Share Option Scheme was expired on 18 October 2021.

EQUITY-LINKED AGREEMENTS

Details of movements in the Company's convertible bonds and share capital during the year are set out in notes 30 and 32 to the consolidated financial statements.

Save as disclosed above and the share option scheme of the Company as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the Company and its subsidiaries.

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

As at 31 December 2023, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or minor children to acquire such rights in any other body corporate.

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

As at 31 December 2023, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Triumph Hope Limited (Note 2)	Beneficial owner	501,330,000(L)(S)	51.05
Mr. Chan Chung Shu (Note 2)	Interest in controlled corporation (Note 2)	501,330,000(L)(S)	51.05
Great Wall International Investment XX Limited (Note 2)	Corporation having security interest in shares	501,330,000(L)	51.05
China Great Wall AMC (International) Holdings Company Limited (Note 2)	Interest in controlled corporation	501,330,000(L)	51.05
China Great Wall Asset Management Co., Ltd. (Note 2)	Interest in controlled corporation	501,330,000(L)	51.05

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 3)	Beneficial interest	58,800,000(L)	5.99
Mr. Ke Xin Hai	Beneficial owner	57,000,000(L)	5.80
Smith Lexi Lucia (Note 4)	Interest in controlled corporation	195,000,000(L)	19.86
Forever Brilliance International Group Co., Limited (Note 4)	Beneficial owner	195,000,000(L)	19.86

Notes:

(1) The letter "L" denotes a long position in interest in the share capital of the Company while the letter "S" denotes a short position in interest in the share capital of the Company.

(2) Mr. Chan Chung Shu is deemed to be interested in 501,330,000 shares of the Company held by Triumph Hope Limited by virtue of it being controlled by him.

On 24 April 2018, Triumph Hope Limited had pledged 501,330,000 shares of the Company as security for a term loan facility provided to Triumph Hope Limited by Great Wall International Investment XX Limited which was wholly-owned by China Great Wall AMC (International) Holdings Company Limited which was, in turn, wholly-owned by China Great Wall Asset Management Co., Ltd. 中國長城資產管理股份有限公司.

(3) Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

(4) Forever Brilliance International Group Co., Limited is wholly owned by Smith Lexi Lucia.

Save as disclosed above, as at 31 December 2023, no person, other than a Director, whose interests are set out under the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any other Associated Corporation" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules as all times up to the date of this report (being the latest practicable date prior to the issue of this report).

SUFFICIENT LEVEL OF OPERATIONS AND ASSETS OF SUFFICIENT VALUE

On 20 December 2019, the Company received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Listing Rule 13.24 (effective from 1 October 2019) to warrant the continued listing of its shares and that, subject to the right of the Company's right of review, trading of the Company's shares be suspended under Rule 6.01(3) (the "Decision").

Pursuant to Rule 2B.06(1), the Company has the right to refer the Decision to the Listing Committee (as defined in the Listing Rules) for review.

On 2 January 2020, the Company has requested the Decision to be referred to the Listing Committee for a review by the Listing Committee.

On 3 March 2021, a hearing by the Listing Review Committee of The Stock Exchange of Hong Kong Limited was conducted (the "Hearing") as re-scheduled. As disclosed in the announcement of the Company dated 25 March 2021, the Company received a letter from the Listing Review Committee which stated that the Listing Review Committee, having carefully considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division, decided to exercise its discretion to remit the matter back to the Listing Committee for rehearing on an expedited basis.

On 3 November 2021 (after trading hours), the Company received a letter from the Listing Review Committee which stated that it decided to uphold the Listing Committee's decision as the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 to warrant a continued listing of its shares, and trading in the Company's shares be suspended under Rule 6.01(3).

Reference is made to the announcements of the Company dated 19 November 2021, 6 April 2022, 8 June 2022 and 23 June 2023, the Company has fulfilled the resumption guidance to the satisfaction of the Stock Exchange, the trading in the Shares of the Company on the Stock Exchange has been resumed from 26 June 2023.

CORPORATE GOVERNANCE

Principal corporate governance practices of the Company and the Group are set out in the Corporate Governance Report of this Annual Report.

ENVIRONMENTAL POLICY

Details of the Group's environmental, social and governance policies and performance during the year ended 31 December 2023 are set out in the Environmental, Social and Governance Report of this Annual Report.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year ended 31 December 2023 and up to the date of this annual report, there is no significant or important event that affects the business of the Group.

AUDITOR

Following the resignation of World Link CPA Limited ("World Link") as auditors of the Company on 23 December 2019, McMillan Woods (Hong Kong) CPA Limited was appointed as the auditors of the Company by the board of directors of the Company with effect from 23 December 2019 to fill in the vacancy following the resignation of World Link. The board of directors of the Company had confirmed that there were no other matters or circumstances in respect of such change of auditors that need to be brought to the attention of the Shareholders.

Save as disclosed above, there were no other changes in auditors of the Company during the preceding three years.

The financial statements of the Group were audited by McMillan Woods (Hong Kong) CPA Limited. McMillan Woods (Hong Kong) CPA Limited will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD
Liu Xin Chen
Executive director

Hong Kong
27 March 2024

Corporate Governance Report

The Board and management are committed to achieve high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its transparency and accountability. The Group has adopted the practices that has complied with all the code provisions as set out in Appendix C1 — Corporate Governance Code and Corporate Governance Report ("CG Code") of the Listing Rules. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business. It will review its corporate governance practices regularly to ensure compliance with the CG Code.

BOARD OF DIRECTORS

All Directors are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company's bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the three independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

During the year ended 31 December 2023, the composition of the Board as at the date of this report is as:

Executive directors

Mr. Liu Xin Chen
Mr. Zhang Rujie

Independent non-executive directors

Mr. Man Wai Lun
Mr. Zhou Zhencun
Mr. Chen Yongping

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has neither a designated chairman nor chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

The Board is responsible for promoting the success of the Group and its business by leading and supervising the Company's affairs. The Board is responsible for determining the Group's objectives, overall strategies and policies, approving business plan, evaluating operating, instilling corporate culture and financial performance. Its role is clearly separated from that of the senior management.

The Board has delegated the day-to-day operation responsibility of the Group to executive Directors and senior management. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Biographical details of and the relationship between the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to the shareholders for re-election, providing sufficient and accurate biographical details of directors to enable the Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill in causal vacancies or as additions to the Board. The Nomination Committee of the Company from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board independent of management. It also identifies and nominates qualified individuals for appointment as new Directors. When considering appointment of new Directors, the Board will take into consideration of criteria such as expertise, experience, integrity and commitment etc..

DIRECTORS' AND OFFICERS' INSURANCE

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 January 2022, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Company encourages directors to participate in continuous professional development to develop and refresh their knowledge and skills needed for acting as a director of the company.

According to the training records of the directors for the Company, all directors participated in continuous professional development during the year by reading materials or attending seminars on topics relevant to directors' duties and responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2023.

NOMINATION COMMITTEE

The Company established nomination committee of the Company (the "**Nomination Committee**") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the expertise, experience, integrity and commitment) to complement the Company's corporate objectives and strategies. The terms of reference of the Nomination Committee were posted on the Company's website.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee comprises three independent non-executive directors, namely, Mr. Man Wai Lun, Mr. Zhou Zhencun, Mr. Chen Yongping and one executive director, Mr. Liu Xin Chen; and is chaired by Mr. Zhou Zhencun.

During the year ended 31 December 2023, the Nomination Committee had held one meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

REMUNERATION COMMITTEE

The Company established remuneration committee of the Company (the "**Remuneration Committee**") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's policies and structure for remuneration of Directors and senior management of the Group; determining the remuneration packages of Directors and senior management of the Group; and reviewing and approving their performance-based remuneration. The terms of reference of the Remuneration Committee were posted on the Company's website.

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Man Wai Lun, Mr. Zhou Zhencun, Mr. Chen Yongping; and one executive director, Mr. Liu Xin Chen and is chaired by Mr. Man Wai Lun.

During the year ended 31 December 2023, the Remuneration Committee had held one meetings and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group. During the year ended 31 December 2023, there were no material matters relating to any share scheme which required review or approval by the Remuneration Committee.

AUDIT COMMITTEE

The Company established audit committee of the Company (the "**Audit Committee**") on 11 October 2011 which is primarily responsible for overseeing the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group's audit; reviewing the Group's financial reporting process, adequacy and effectiveness of the Group's internal control system and risk management system. The terms of reference of the Audit Committee which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the HKICPA and were posted on the Company's website.

The Audit Committee comprises three independent non-executive directors, namely, Mr. Man Wai Lun, Mr. Zhou Zhencun and Mr. Chen Yongping; and is chaired by Mr. Chen Yongping.

During the year ended 31 December 2023, the Audit Committee had held two meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; recommended the appointment of auditor; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

Compliance with the Code on Corporate Governance Practices

The Company had complied throughout the year ended 31 December 2023 with the code provisions set out in the CG Code contained in Appendix C1 of the Listing Rules.

ATTENDANCE OF MEETINGS

During the year ended 31 December 2023, one annual general meeting, three regular Board meetings and other Board meetings were held in addition to circulation of written board resolutions. The composition of the Board and Board committees during the year and up to the date of this report, and its members' attendance record of meetings held in 2023 are shown below:

	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Liu Xin Chen	3/3	N/A	1/1	1/1	1/1
Mr. Zhang Rujie	3/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Man Wai Lun	3/3	2/2	1/1	1/1	1/1
Mr. Zhou Zhencun	3/3	2/2	1/1	1/1	1/1
Mr. Chen Yongping	3/3	2/2	1/1	1/1	1/1

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2023 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors' responsibilities in the preparation of the financial statements of the Group and the auditor's responsibilities are set out in the independent auditor's report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Code D.2.1 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2023, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and interactive process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2023, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise. The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Review of the risk management and internal control systems is conducted annually by an external consultant, and the results are reported to the Board via external consultant and Audit Committee afterwards.

Effectiveness Of The Risk Management And Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function, external consultant and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

AUDIT COMMITTEE

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged professional staff and external consultant with relevant expertise to conduct review and make recommendations for the improvement and strengthening of the internal control system. The professional staff and external consultant with relevant expertise has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function, external consultant and professional staff with relevant expertise are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and professional staff with relevant expertise, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

AUDITOR'S REMUNERATION

The fees in relation to the audit and non-audit services provided by McMillan Woods, the external auditors, to the Company and its subsidiaries for the year ended 31 December 2023 are analyzed below:

Type of services provided by the external auditors

	Fee HK$'000
During the year, McMillan Woods had provided the following services,	
Audit	750
Non-audit service	100

HOW SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to the bye laws of the Company, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the company by mail to Flat C, 13/F, Unionway Commercial Centre, 283 Queen's Road Central, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail to Flat C, 13/F, Unionway Commercial Centre, 283 Queen's Road Central, Hong Kong, or by email to info@1152.com.hk. The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the Shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

The Company also maintains a website at www.1152.com.hk to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to Shareholders as well as investors.

AMENDMENT OF CONSTITUTIONAL DOCUMENTS

The new bye-laws of the Company was adopted by way of a special resolution passed by the shareholders of the Company at the annual general meeting held on 30 June 2023. The new bye-laws of the Company is available on the website of the Stock Exchange and the Company.

Environmental, Social and Governance Report

1 ABOUT THE REPORT

The Group primarily adopts the principles and basis of the ESG Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of (the "Listing Rule") of The Stock Exchange of Hong Kong Limited, with an aim to establish a sound environment, social and governance structure. This Report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the principal businesses of the Group from 1 January 2023 to 31 December 2023 (the "2023" or "Year"), unless otherwise stated. The management regularly review the scope of the ESG Report to ensure that significant impacts to the Group's overall business portfolio are covered.

The basis of reporting principles — materiality, quantitative and consistency:

- "Materiality" Principle: The Group determines material ESG issues by stakeholder engagement and materiality assessment.

- "Quantitative" Principle: Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- "Consistency" Principle: The Report will use consistent methodologies for meaningful comparisons in the past years unless improvements in methodology are identified.

The ESG team should also actively encourage the practice of improving the Company's ESG standards. The ESG team should make different level disclosures, according to the "Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEX, formulating the methodologies used in the calculation, the assumptions and limitations, and conversion factor.

The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

2 BOARD STATEMENT

The Group undoubtedly places a strong emphasis on growth and development so as to transform to a scalable enterprise. Notwithstanding such emphasis, the Board is fully aware that the duly performance of our responsibilities relating to ESG are key to our sustainable development and plays a primary role in overseeing the Group's ESG issues. The Board approves environmental goals and social goals for the sustainability of the Group's business. We strive to align our long term corporate development with environment and society.

The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

Data from relevant material risks is gathered and KPIs are created to set practicable targets. The ESG team manages relevant material risks by regularly monitoring the KPIs against the targets.

The oversight of the Board ensures that the team can have all the right tools and resources to deal with the ESG issues. The ESG team updates to the Board at the regular meetings with the progress and the status of achieving the KPI targets, the environmental goals and the social goals.

The Board reviews and monitors the team's reporting on semi-annual basis, ensuring that the requirements from the Board are met. The review include (i) measurement system adopted for progress assessment; (ii) process for data collection and verification; (iii) comparison with the historical data and how the baseline is selected and (iv) the achievement of the target setting. The Board should make recommendation or suggest to the ESG team.

The Board aims to reduce 1% of energy used compare with last year energy consumption. The Group has achieved its target during the Year.

3 COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF MATERIAL ISSUES

The Group highly values the staff's opinions and appeals. The Group place reliance on the contributions made by all staff from various departments in compiling the ESG report. Due to their respective endeavour, the Group have deepened its understanding on the Group's accomplishments to-date in the respect of environmental and social issues. The information have brought together should not be merely regarded as an overview of the Group's environmental and social initiatives during the Year, they have also subsequently laid a solid groundwork for the Group to formulate strategies for sustainable development in both short-run and long-run period.

Meanwhile, the Group genuinely understands that all stakeholders' interests are closely related to its business development. The Group, therefore, is actively involved in bilateral exchange of views with the stakeholders. Through diversified channels of communication, the Group is adequately informed of the overall expectations and requirements of various stakeholders, so that the management of the Group could take corresponding measures and improve the operating strategies to further enhance the performance in the fields of environmental, social and governance. The Group's stakeholders represent a congregation of diversified sectors of interests, including but not limited to government and regulatory authorities, shareholders, collaborative partners, customers, staff, members of the community and the public at large. The management of the Group engage in an effective communication with each stakeholder through various communication channels, such as emails, phone conversations and face-to-face discussions, among others. In the Year, the Group has both learnt and addressed to the stakeholders' expectations, while their views were collected through various channels, including face-to-face conversations, conferences and questionnaires, among others.

4 MATERIALITY MATRIX

During the Year, the Group has evaluated a number of environmental, social and operation related issues, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure the Group's business development is in line with the expectations and requirements of its stakeholders. The Group's and its stakeholders' matters of concern are presented in the following materiality matrix:

<table>
<tr><td rowspan="5">Importance to Stakeholder</td><td colspan="4">Importance to the Group</td></tr>
<tr><td></td><td>Low</td><td>Medium</td><td>High</td></tr>
<tr><td>High</td><td>♦ Anti-discrimination
♦ Protecting labour rights</td><td>♦ Talent management
♦ Staff training and promotion opportunity
♦ Staff compensation and welfare policies</td><td>♦ Customers' satisfaction level
♦ Anti-corruption
♦ Product quality and safety
♦ Suppliers management
♦ Occupational health and workplace safety</td></tr>
<tr><td>Medium</td><td>♦ Community involvement</td><td>♦ Use of resources</td><td>♦ Operational compliance
♦ Protecting customers' privacy
♦ Air emissions</td></tr>
<tr><td>Low</td><td>♦ Preventive measures for child and forced labour</td><td>♦ Non-hazardous wastes produced</td><td>♦ Use of raw materials
♦ Hazardous wastes produced</td></tr>
</table>

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide			Material ESG issues for the Group
(A)	Environmental		
	A1	Emissions	Emission from town gas, electricity or vehicle
	A2	Use of Resources	Use of energy and paper
	A3	Environment and Natural Resources	
	A4	Climate Change	
(B)	Social		
	B1	Employment and Labour Practices	Labour practices
	B2	Health and Safety	Workplace health and safety
	B3	Development and Training	Employee development and training
	B4	Labour Standards	Anti-child and forced labour
	B5	Supply Chain Management	Supply chain management
	B6	Product Responsibility	Product responsibility
	B7	Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
	B8	Community Involvement	Community programs, employee volunteering and donation

A. Environmental

The Group is engaged in the provision of financing and leasing services, as well as in trading of nutritional food products. Most of daily and routine operations are taken place within office. The Group strictly complies with all applicable laws and regulations on pollution and environmental protection, including but not limited to the Environmental Protection Law of the People's Republic of China and the Waste Disposal Ordinance of Hong Kong. Due to business nature of the Group, it do not generate a significant amount of air emissions, wastewater, nor any other emissions in the course of the daily operations. The Group's sources of greenhouse gas emissions are attributable to the direct emissions arising from vehicles, plus energy indirect emissions from electricity consumption, as well as other indirect emissions arising from employees' business travels and paper consumption.

In respect of waste treatment, the Group, during its course of operation, produces non-hazardous wastes, mainly categorized as general waste, that are subject to the handling of the property management company; on the other hand, its hazardous wastes are mainly electronic wastes in the office, such as light bulbs, batteries, and inkjet cartridges, among others. In order to ensure proper handling of hazardous wastes, the Group has returned all its collected inkjet cartridges to the suppliers for further handling. As there is only an insignificant amount of hazardous wastes produced during the Year by the Hong Kong office, the Group does not make any subsequent relevant disclosure on the issue.

Energy Saving and Emission Reduction

The Group is highly concerned with environmental protection. In the course of business, it adhere to the principles of "reduce", "recycle" and "reuse", and obliged to implement green office practices. The Group nurture the awareness of environmental protection among its staff through promoting water conservation concept. Besides, the business of the Group does not involve any use of packaging materials.

To reduce paper consumption and waste disposal, the Group has encouraged its staff to re-use paper, to adopt double-sided printing and copying and to re-use paper printed in single side. The Group have assigned recycling boxes in the office to collect waste paper, posters and envelopes. Meanwhile, The Group encourage its staff to resort to the electronic means of communication, including emails instead of facsimile or physical mails, as well as to adopt the electronic system for recordkeeping.

As far as energy conservation is concerned, the Group prioritizes to apply office appliances and equipment that incorporate Energy Label, which enable efficient use of energy. The Group also advocate its staff to switch off all electronic appliances and equipment such as computers, idle lighting system and other electronic appliances when the office closes.

On the other hand, vehicles have posed as one of the main sources of greenhouse gas emissions. The Group, therefore, undertake regular inspection and maintenance for vehicles, so as to maintain the vehicles' performance, to ensure that there is no engine-idling, as well as to minimise air emissions and wasted fuel.

A1.1. Emissions Data from Gaseous Fuel Consumption

a) Since the Company did not have town fuel and town gas consumption during the Year, therefore no emissions data from fuel consumption applied.

b) Since the Company did not have motor vehicles during the Year, therefore no emissions data from fuel consumption applied.

A1.2. Greenhouse Gas Emission

	KPI		
	2023	**Unit**	**%**
Scope 1			
Direct Emission	–	Kg	–%
Scope 2			
Indirect Emission	**9,393**	Kg	95%
Scope 3			
Other indirect Emission	**490**	Kg	5%
Total	**9,883**	**Kg**	**100%**

During the Year, there is 9,883 kg (2022: 10,251 kg) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation.

Total floor area coverage for the Group was 250 m^2 (2022: 250 m^2) in 2023. The annual emission intensity was 39.5 $KgCO_2e/m^2$ (2022: 41.0 $KgCO_2e/m^2$).

The Group set the targets to 17,182 kg of GHG emission which decreased 1% of last year's GHG emission target. The Group has achieved the target during the Year.

Compliance with relevant laws and regulations:

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group during the Year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the Year.

A1.3 Non-hazardous Waste

The Group did not generates significant hazardous waste in its operation. Non-hazardous waste from use of electricity of the Group's operation but the management of the Group believed that is insignificant waste.

A2.1 Use of resource

The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiatives designed to conserve resources were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

For the Hong Kong office operation, the Group has been encouraging employees to establish energy-saving habits in the office, such as switching off lights and electronic appliances before leaving the office, as well as setting indoor temperature at 25.5˚C.

The energy consumed is mainly from purchase of electricity. The total electricity consumed are set out below:

	KPI 2023	Unit
Electricity consumed	**11,227**	kWh
Total floor are of facilities	**250**	m^2
Electricity consumed per square meter	**44.9**	kWh/m^2

During the Year, the Group set targets to 15,885 kWh of energy consumption decreased 1% of last year's target of electricity consumption. The Group has achieved the target during the Year.

A3 Environmental and Natural Resources

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials and also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There were no non-compliance cases noted in relation to environmental laws and regulations during the Year.

A4 Climate change

Global climate change is getting worse and global warming has been a serious problem. The Group, as a responsible enterprise, endeavoured to introduce measures as far as practicable, such as those mentioned in A2.1 above, to reduce greenhouse gas emissions from business operations.

To cope with extreme weather conditions, the Group takes precautionary and protective measures including, where necessary, home office arrangement, work schedule rearrangement and redeployment of resources, to ensure the safety of employees, to minimize the impact on business process and to avoid any physical damages to assets of the Group.

B. Social

Being a responsible business and employer, the Group are committed to consistently looking for ways to meet the corporate social responsibilities. The Group focus on its staff, environment and community as well as its business partners.

B1. Employment and Labour Practices

Employees are the most valuable asset of the Group and crucial part of its business growth. The Group respects every employee and strives to establish an inclusive workplace. As stated clearly in its "Staff Manual" and "Corporate Social Responsibility Policy", the Group is committed to providing equal opportunities in recruitment and promotion, regardless of age, gender, race, skin colour, religion, nationality, marital status, disability or sexual orientation. The Group makes every effort to ensure that there is no harassment, including sexual harassment, in the workplace.

The primary business of the Group is provision of financial printer services, the management believes that hiring and retaining qualified employees is a key to its success. The Group regularly reviews the remuneration policy to ensure its market competitiveness. The Group also carries out staff evaluations to assess performance of all employees on annual basis. Employees are recognized and rewarded according to their individual performance, working experience, respective responsibilities, merit, qualifications, competence and time commitments

Staff Composition

As at 31 December 2023, the Group employed a total of 29 (2022: 48) staff, including operational office, sales and marketing, and back office division. All staff members are allocated in Hong Kong and Mainland China.

a) *Employees' Age and Gender Distribution*

	2023		2022	
Age Group	**Male**	**Female**	Male	Female
19–30	**7%**	**14%**	2%	7%
31–45	**17%**	**31%**	39%	27%
46–60	**31%**	**0%**	19%	6%
Total	**55%**	**45%**	60%	40%

b) *Employees' Types Distribution*

	2023		2022	
	Male	**Female**	Male	Female
Full-time	**55%**	**45%**	60%	40%
Part-time	**0%**	**0%**	0%	0%
Total	**55%**	**45%**	60%	40%

c) *Employees' Geographical Distribution*

	2023		2022	
	Male	**Female**	Male	Female
Hong Kong	**10%**	**7%**	17%	5%
Mainland China	**45%**	**38%**	44%	35%
Total	**55%**	**45%**	60%	40%

The Group will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year. In addition, no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions had been reported during the Year.

B2 Employee Health and Safety

The Group strictly complies with the relevant laws and regulations in relation to occupational safety in the localities of its operation, including but not limited to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance of Hong Kong. It source for labour insurance for its staff. To safeguard for employees' health and safety, all staff keep their working spaces clean, along with adequate lighting and ventilation at all times. The Group also ensure that the proper fire service equipment and first aid kits are in place. Take the Hong Kong office as an example, the Group distribute the relevant materials related to occupational safety and health to staff, so as to enhance employees' awareness on occupational safety and health.

The outbreak of the novel coronavirus (COVID-19), has become the latest challenge for the health authorities in Hong Kong and Mainland China, the Group has several policy to protect its staff:

— All public area would be performed disinfection on timely basis;

— Provide mask and disinfection supplies to all staff;

— Request all staff to perform body temperature test everyday;

— Request each staff to report their health status everyday; and

— Request each Department Head to monitor the health status of its staff on timely basis.

Occupational Health and Safety Data

The information of work accident are set out below:

Health and Safety	2023	2022	2021
Number of work-related fatalities	–	–	–
Lost days due to work injury	–	–	–

During the Year, the Group has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

B3 Development and Training

The Group has committed to provide on-the-job education and training to its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise. During the Year, regular training courses were provided to the employees included but not limited to orientation training, technical training and quality training.

Performance evaluations are initiated each year. Recognising the value in the skill and experience of its staff, the Group has adopted a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates.

B4 Labour Standard

The Group fully understand that the exploitation of child and forced labour are universally prohibited, and therefore take the responsibility against child and forced labour very seriously. The Group strictly complies with all laws and regulations against child labour and forced labour.

The Group strictly observes the laws and regulations in relation to employment in the localities of its operation, including but not limited to the Labour Law of the People's Republic of China and the Employment Ordinance of Hong Kong, so as to ascertain that reasonable remuneration and benefits are provided for all staff, while the employment principle is based on the protection of labours' rights. To correspond with the Group's development in the industry, the Group duly arranges for recruitment to source for suitable candidates in accordance with the distinctive requirements of each specific position. During the recruitment process, the management screen of candidates based on the criterion in line with the requirements of the positions concerned, such as academic qualifications, working experience and individual capability, while the Group does not discriminate against any candidates on the grounds of variations in gender, age, race, religion or disability so as to provide equal chances for interviews for all suitable applicants. On concluding an employment contract with employees, the management will scrutinize carefully the relevant identification document of employees to ensure no mistaken employment of child labour. Prior to the official appointment of each staff, it provide a concrete description of the predestinated position, with clear specifications on the job duties, hierarchical scale and working hours, to prevent forced labour. With regard to resigned employees, a face-to-face interview in relation to the resignation would be arranged in order to look into the reasons of the off-boarding. The Group will comply with the requirements of the relevant laws and regulations, to make timely payment for the outstanding wages.

Benefits and Development

The Group is firmly convinced that effective communication is significant to promote employer-employee relationship. The Group, therefore, highly value the communication with its staff. All department heads will contact staff from time to time for view exchange. Should any staff encounter any difficulties or problems in carrying out their duties, they may reflect views and seek assistance from their respective department heads. The Group also, from time to time, organizes recreational activities, so as to facilitate employees' work-life balance, physical and mental wellbeing, along with strengthened bonding and team-spirit among members. During the Year, the Group distributed festive presents and hosted for festive luncheons for its Hong Kong staff.

During the Year, the Group has had no non-compliance cases regarding violation of relevant child labour and forced labour laws.

B5 Supply Chain Management

The Group's suppliers mainly provide office supplies. The Group compiles a required material list in line with its internal requirement, along with stock-taking so as to refrain from wasting resources. When selecting suppliers, the management screen of based on the quality of products provided by suppliers. The Group gives preference to those suppliers in nearby regions, so as to reduce the distance of products delivery, as well as to minimize the carbon footprints produced during the transportation.

Traditional key considerations in supply chains include technical quality, cost effectiveness, speed of delivery and reliability. However, sustainability factors are increasingly gaining importance. For example:

— Environmental pollution

— Workforce health and safety incidents

— Labor disputes

— Corruption and bribery

To further mitigate the risk and enhance the sustainability of the supply chain and procurement, the Group has included ESG factors in its scoring mechanism for tendering process to better manage the environmental and social risks in the supply chain. For example, the Group would perform background search for its business partners. If any irregularities were found, the relevant department shall provide explanation to the Legal and Compliance Department and the Finance Department and implement control measures to mitigate potential social risks of the involved business partners. During the Year, no irregularities were found.

During the Year, the Group carried out a regular review on their current suppliers and assess other alternative potential suppliers. Where ever possible, the Group would tend to suspend cooperation with suppliers if significant deterioration was found in the supplier's quality, environmental and social responsibility, which ensures that suppliers conform to the Group's standard.

A systematic supplier management mechanism has been set up to closely monitor the performance of suppliers. As at 31 December 2023, the Group has 36 major suppliers.

Geographical	No. of major suppliers
Hong Kong	16
Mainland China	10
Other countries	10
Total	**36**

B6 Product Responsibility

The Group is committed to providing quality services. In the course of its business, the Group strictly complies with the industry-related laws and regulations in the localities of its operation at all times, including but not limited to the Anti-Unfair Competition Law of the People's Republic of China and the Copyright Ordinance of Hong Kong. The Group has put in place a complaint mechanism, according to which a predestinated mailbox is maintained within the company website, particularly for the purpose of handling customers' inquiries and complaints.

Moreover, as the Group understands the significance of protecting customers' information, it has formulated a mechanism on information confidentiality. No documents should be taken away from its office by any staff, without the prior consent from the department heads. In the employment contract, the Group have stipulated that all staff are not allowed to disclose any confidential information in relation to either the Group or its customers to a third party. Meanwhile, it is committed to intellectual property protection by using licensed computer software.

B7 Anti-corruption

Pursuant to the relevant laws and regulations related to bribery prevention in the localities of the Group's operation, including but not limited to the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. All staff are not allowed to solicit or accept any interests in relation to their duties, including money, gifts, rewards, services or privileges. Should conflict of interests incurred as the staff carry out their obligations or accept any gifts from the Group's customers, suppliers, or any other parties that are related to its business dealings, the respective staff should declare the conflict of interests to us, so as to prevent corruption and avoid any unnecessary misunderstanding.

Moreover, the Group invites its business partners (including contractors, suppliers, service providers, consultants, representatives, etc.) to comply with its Anti-bribery and Anti-corruption Manual when performing works or services for the Group. Where the service contract exceeds a certain amount, the business partners are required to sign the Anti-bribery Undertaking.

In the Year, there is no legal case concerning corruption brought against the Group or employees.

During the Year, the Group provide 8 training hours to its staff in relation to anti-corruption.

B8 Community Involvement

Along with the endeavour to promote business, the Group is also dedicated to social welfare and giving back to society.

As a global responsible citizen, the Group strives to improve the society image and social responsibility through community involvement. All employees of the Group are encouraged to participate their own initiatives on helping and supporting the local communities and neighbours.

Independent Auditor's Report

McMillanWoods
Professionalism at the forefront

Independent auditor's report to the shareholders of Momentum Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Momentum Financial Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 47 to 118, 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.

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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined impairment of trade receivables to be the key audit matter to be communicated in our report:

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of trade and other receivables

Refer to material accounting policy information in note 4, critical accounting judgement and key success of estimation uncertainty in note 5 and its relevant disclosures in note 21 to the consolidated financial statements.

In practice, the Group would grant credit terms to its customers of cross-border trading of nutrition food and health care products ranging from 60 to 180 days. To assess the impairment of trade receivables, the Group perform periodic assessment based on information including credit risk characteristics of each customers, historical ageing and settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, ongoing trading relationships with the relevant customers and forward-looking information that may impact its customers' ability to repay the outstanding trade receivables. These assessments are used to estimate the expected credit loss ("**ECL**") for the impairment assessment.

Given that trade receivables represents approximately 82% of the Group's total assets and the impairment assessment of trade receivables under the ECL model involved significant management judgements and estimates, we have identified this as a key audit matter.

Our audit procedures in relation to the recoverability assessment of trade receivables included:

— Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and estimate of ECL;

— Assessing the reasonableness of the Group's ECL models by examining the model inputs used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the loss rates are appropriately adjusted based on current economic conditions variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances;

— Selecting samples for the circularisation of debtor confirmations;

— Inspecting settlements after the financial year end relating to the trade receivables as at 31 December 2023; and

— Reviewing the appropriateness of disclosure made in the consolidated financial statements.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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.

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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Yeung Man Sun
Audit Engagement Director
Practising Certificate Number: P07606

24/F., Siu On Centre,
188 Lockhart Road,
Wanchai,
Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	8	**761,781**	327,721
Cost of sales		**(711,584)**	(304,579)
Gross profit		**50,197**	23,142
Other operating income	9	**8,143**	363
Change in fair value of financial asset at fair value through profit or loss ("**FVTPL**")		**(68)**	(137)
Administrative and other expenses		**(12,275)**	(9,210)
Selling and distribution expenses		**(39)**	(19)
Loss on disposals of subsidiaries	36(a)	**–**	(24)
Reversal of impairment loss on finance lease receivables		**146**	765
(Impairment loss)/reversal of impairment loss on trade receivables		**(6,472)**	3,192
Impairment loss on other receivables and deposits		**(5,742)**	(782)
Profit from operation		**33,890**	17,290
Finance costs	10	**(8,523)**	(870)
Profit before tax	11	**25,367**	16,420
Income tax expense	12	**(5,822)**	(1,239)
Profit for the year		**19,545**	15,181
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,581)**	(8,636)
		(2,581)	(8,636)
Total comprehensive income for the year		**16,964**	6,545

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Profit for the year attributable to:			
— the owners of the Company		**20,346**	15,297
— non-controlling interests		**(801)**	(116)
		19,545	15,181
Total comprehensive income for the year attributable to:			
— the owners of the Company		**17,847**	6,928
— non-controlling interests		**(883)**	(383)
		16,964	6,545
Earnings per share (HK cents)			
Basic	15	**2.07**	1.56
Diluted	15	**2.07**	1.56

Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	16	**6,188**	6,857
Right-of-use assets	17	**679**	1,352
Interest in a joint venture	18	**–**	–
Finance lease receivables	19	**–**	581
		6,867	8,790
Current assets			
Inventories	20	**25,712**	26,991
Trade and other receivables	21	**355,905**	301,781
Finance lease receivables	19	**553**	5,224
Financial assets at FVTPL	22	**126**	194
Tax recoverables		**1,243**	1,276
Bank balances and cash	23	**24,335**	8,188
		407,874	343,654
Current liabilities			
Trade and other payables	24	**145,477**	92,544
Contract liabilities	25	**–**	10,134
Loan from the ultimate holding company	26	**50,000**	50,000
Lease liabilities	27	**497**	642
Bank and other borrowings	28	**17,818**	13,026
Promissory notes	29	**–**	35,379
Convertible bonds	30	**–**	42,525
Corporate bonds	31	**9,380**	10,900
Tax payables		**8,082**	6,299
		231,254	261,449
Net current assets		**176,620**	82,205
Total assets less current liabilities		**183,487**	90,995
Non-current liabilities			
Other payables	24	**–**	239
Lease liabilities	27	**–**	497
Promissory notes	29	**33,755**	–
Corporate bonds	31	**41,858**	–
		75,613	736
NET ASSETS		**107,874**	90,259

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	32	**4,910**	4,910
Reserves	34	**100,049**	82,202
		104,959	87,112
Non-controlling interests		**2,915**	3,147
TOTAL EQUITY		**107,874**	90,259

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Liu Xin Chen
Director

Zhang Rujie
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital	Share premium (note 34(c)(i))	Equity component of convertible bonds (note 34 (c)(ii))	Foreign currency translation reserve (note 34(c)(iii))	Accumulated losses	Total reserves	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	4,910	190,049	6,640	(2,855)	(118,560)	75,274	3,530	83,714
Total comprehensive income for the year	–	–	–	(8,369)	15,297	6,928	(383)	6,545
Changes in equity for the year	–	–	–	(8,369)	15,297	6,928	(383)	6,545
At 31 December 2022 and 1 January 2023	4,910	190,049	6,640	(11,224)	(103,263)	82,202	3,147	90,259
Total comprehensive income for the year	**–**	**–**	**–**	**(2,499)**	**20,346**	**17,847**	**(883)**	**16,964**
Lapse of convertible bonds	**–**	**–**	**(6,640)**	**–**	**6,640**	**–**	**–**	**–**
Proceeds from non-controlling shareholders from capital injection to a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**651**	**651**
Changes in equity for the year	**–**	**–**	**(6,640)**	**(2,499)**	**26,986**	**17,847**	**(232)**	**17,615**
At 31 December 2023	**4,910**	**190,049**	**–**	**(13,723)**	**(76,277)**	**100,049**	**2,915**	**107,874**

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**25,367**	16,420
Adjustments for:			
Bank interest income		**(17)**	(15)
Depreciation of property, plant and equipment		**492**	622
Depreciation of right-of-use assets		**666**	261
Change in fair value of financial asset at FVTPL		**68**	137
Gain on modification of promissory note		**(2,272)**	–
Gain on modification of convertible bonds		**(1,665)**	–
Loss on disposals of subsidiaries	36(a)	**–**	24
Impairment loss/(reversal of impairment loss) on trade receivables		**6,472**	(3,192)
Impairment loss on other receivables and deposits		**5,742**	782
Reversal of impairment loss on finance lease receivables		**(146)**	(765)
Finance costs		**8,523**	870
Operating profit before working capital changes		**43,230**	15,144
Decrease/(increase) in inventories		**1,108**	(24,684)
(Increase)/decrease in trade and other receivables		**(68,150)**	29,414
Decrease in finance lease receivables		**5,266**	9,063
Increase/(decrease) in trade and other payables		**48,960**	(42,894)
(Decrease)/increase in contract liabilities		**(9,908)**	10,134
Cash from/(used in) operations		**20,506**	(3,823)
Tax paid		**(4,027)**	(201)
Net cash from/(used in) operating activities		**16,479**	(4,024)

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**17**	15
Net cash from investing activities		**17**	15
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(1,601)**	(150)
Interest on lease liabilities paid		**(46)**	(23)
Repayment of corporate bonds		**(2,000)**	–
Proceeds from bank and other borrowings		**9,259**	13,394
Principal elements of lease payments		**(642)**	(268)
Repayment of bank and other borrowings		**(4,202)**	(1,984)
Proceeds from non-controlling shareholders from capital injection of a subsidiary		**651**	–
Net cash from financing activities		**1,419**	10,969
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,915**	6,960
Effect of foreign exchange rate changes		**(1,768)**	(5,969)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**8,188**	7,197
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**24,335**	8,188
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	23	**24,335**	8,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

Momentum Financial Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidation financial statements.

The functional currency of the Company is Renminbi ("**RMB**"). These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the directors of the Company consider that HK$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on Main Board of the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policy information adopted by the Group are discussed below.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) New and amendments to standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKSA 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior year and/or the disclosures set out in this annual report.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(b) Change in accounting policy

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 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.

The Amendment Ordinance has no material impact on the Group's LSP liability and staff cost.

(c) New Standard, Amendments to Standards and Interpretations Not Yet Effective

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1 Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a sales and leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (revised) presentation of financial statements-classification by borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 Supplier finance arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture	*To be determined by the HKICPA*

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

These financial statements have been prepared under the historical cost convention unless mentioned otherwise in the accounting policies below (e.g. financial assets at FVTPL).

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

A summary of the material accounting policy information applied in the preparation of these financial statements are set out below.

(a) Consolidation

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

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(a) Consolidation *(Continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture 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 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 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Joint arrangements *(Continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

	Depreciation rate
Leasehold land and buildings	Over the shorter of term of the lease or 50 years
Office equipment	20%
Furniture and fixtures	10–20%
Leasehold improvement	Over the shorter of term of the lease or 50 years
Motor vehicles	20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the year in which the item is derecognised.

(e) Leases

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

The Group as a lessee

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

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

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

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

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(f) Contract liabilities

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Inventories

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

(h) Recognition and derecognition of financial instruments

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— Fair value through other comprehensive income ("**FVTOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(l) Financial liabilities and equity instruments

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

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(n) Convertible bonds

Convertible bonds which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(n) Convertible bonds *(Continued)*

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(o) Trade and other payables

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

(p) Equity instruments

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

(q) Revenue recognition

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

Revenue from the cross-border trading of nutrition food and health care products is recognised when control of the goods has transferred, being when the goods have been shipped to the buyer's specific location (delivery). Following delivery, the buyer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the buyer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from provision of finance leasing service is recognised using the effective interest rate implicit in the lease over the term of the lease.

Revenue from provision of consultancy service is recognised in accordance with the terms of the underlying agreement when the relevant act has been completed.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of HKAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(iii) Termination benefits

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

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) Taxation

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

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

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognised a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary difference.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(u) Related parties

A related party is a person or entity that is related to the Group.

(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 over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Company 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (A).

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Impairment of non-financial assets

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

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

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

(w) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables and finance lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group measures loss allowances for trade receivable at an amount equal to lifetime ECL, which is calculated by reference of the individual customers' default history and default rate assigned by international rating agencies of industries in which the customers belong, and adjusted by certain forward-looking elements.

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Impairment of financial assets *(Continued)*

Significant increase in credit risk

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

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

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

Write-off policy

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Impairment of financial assets *(Continued)*

Write-off policy *(Continued)*

For financial assets, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Significant increase in credit risk

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

Key sources of estimation uncertainty

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

(a) Impairment of trade and other receivables and finance lease receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and other receivables and finance lease receivables based on the credit risk associated with respective receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2023, the carrying amount of trade and other receivables is approximately HK$355,905,000 (2022: HK$301,781,000), net of accumulated impairment losses of approximately HK$26,725,000 (2022: HK$14,710,000).

As at 31 December 2023, the carrying amount of finance lease receivables is approximately HK$553,000 (2022: HK$5,805,000). Net of accumulated impairment losses of approximately HK$12,000 (2022: HK$162,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

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

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

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2023 were approximately HK$6,188,000 (2022: HK$6,857,000) and HK$679,000 (2022: HK$1,352,000) respectively.

(c) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The carrying amount of inventories as at 31 December 2023 were approximately HK$25,712,000 (2022: HK$26,991,000).

(d) Income taxes

The Group is subject to Hong Kong Profits Tax and Enterprises Income Tax ("**EIT**") in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax of approximately HK$5,822,000 (2022: HK$1,239,000) was charged to profit or loss based on the estimated assessable profits. The carrying amounts of tax recoverables and tax payables as at 31 December 2023 were approximately HK$1,243,000 (2022: HK$1,276,000) and HK$8,082,000 (2022: HK$6,299,000) respectively.

6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include finance lease receivables, trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, loan from the ultimate holding company, other borrowings, lease liabilities, bank borrowings, promissory notes, convertible bonds and corporate bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk

Currency risk

The Group undertakes certain transactions denominated in currencies other than the functional currencies of the respective Group's entities, which expose the Group to foreign exchange rate fluctuation. The Group has certain bank balances and cash denominated in HK$/US$/RMB which are not the functional currencies of the relevant Group entities. In addition, the Group has trade and other payables, loan from the ultimate holding company and corporate bonds, convertible bonds and promissory notes denominated in HK$ which is not the functional currency of the relevant Group entity and in aggregate account for approximately 61% (2022: 64%) of the Group's total liabilities. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$ and HK$ against RMB.

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

	Assets		Liabilities	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**188,505**	3,782	**231,522**	167,048
US$	**167,564**	1,559	**27,054**	–
RMB	**41,261**	–	**76,563**	–

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK$/US$/RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the respective reporting entity's functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the borrower. A positive number below indicates an increase/decrease in post-tax profit/(loss) where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit/(loss), and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2022.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis *(Continued)*

	HK$		US$		RMB	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Impact on post-tax profit/(loss) for the year	**355**	158	**(148)**	(65)	**110**	–

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to finance lease receivables, convertible bonds, promissory notes, corporate bonds, loan from the ultimate holding company and lease liabilities. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's variable-rate bank balances are short-term in nature and the exposure of the cash flow interest rate risk is minimal.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of the reporting period. Its income and operating cash flows are substantially independent of change in market interest rate.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instrument had been 5% (2022: 5%) higher/lower, the post-tax loss for the year ended 31 December 2023 would decrease/increase by approximately HK$5,000 (2022: HK$8,000) as a result of the changes in fair value of the financial asset at FVTPL.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivable are due within 60-180 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has significant concentrations of credit risk as 50% (2022: 71%) of the Group's trade receivables were due from three customers. The directors of the Company are of the opinion that the credit risk exposure in relation to these customers is not significant as these customers had sound financial position for whom there was no recent history of default. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("**ECL**"), which is calculated using a provision matrix by reference to past default experience of the debtors and adjusted by forward looking factors. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer base.

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:

At 31 December 2023	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.16%**	**257,858**	**412**
1–60 days past due	**3.49%**	**73,995**	**2,585**
61–120 days past due	**7.79%**	**9,333**	**727**
121–180 days past due	**20.02%**	**5,245**	**1,050**
More than 180 days past due	**97.55%**	**14,562**	**14,206**
		360,993	**18,980**

At 31 December 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.92%	180,766	1,664
1–60 days past due	9.74%	33,464	3,260
61–120 days past due	–	–	–
121–180 days past due	23.58%	318	75
More than 180 days past due	99.66%	7,657	7,631
		222,205	12,630

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Finance lease receivables

All the finance lease receivables were secured by the leased assets and customers' deposits. There was no recent history of default of debtor and finance lease receivables are settled in accordance to the payment schedules.

The following table provides information about the Group's ECLs for finance lease receivables as at 31 December 2023 and 2022:

At 31 December 2023	Expected loss rate %	Gross carrying amount HK'$000	Loss allowance HK'$000
Lifetime ECL	**2.12%**	**565**	**12**

At 31 December 2022	Expected loss rate %	Gross carrying amount HK'$000	Loss allowance HK'$000
Lifetime ECL	2.71%	5,967	162

The Group has concentration of credit risk of finance lease receivables, as 100% (2022: 56%) and 100% (2022: 100%) of the finance lease receivables as 31 December 2023 was due from the Group's largest lessee and the five largest lessees respectively.

The Group measures loss allowances for finance lease receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Other receivables, deposits and prepayments

For other receivables, deposits and prepayments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on these balances, has not increased significantly since initial recognition the Group measures loss allowance for these balances, equal to 12-months ECL. The directors make periodic collectively assessments as well as individual assessment on the recoverability of other receivables and deposits.

As at 31 December 2023 and 2022, provision of ECL on other receivables and deposits are recognised at the following basis:

At 31 December 2023	12-month ECL HK$'000	Lifetime ECL HK$'000	Total HK$'000
Gross amount			
Internal grade — performing (stage 1)	**10,081**	**–**	**10,081**
Internal grade — underperforming (stage 2)	**–**	**11,462**	**11,462**
Internal grade — default (stage 3)	**–**	**–**	**–**
	10,081	**11,462**	**21,543**

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Other receivables, deposits and prepayments *(Continued)*

At 31 December 2022	12-month ECL HK$'000	Lifetime ECL HK$'000	Total HK$'000
Gross amount			
Internal grade — performing (stage 1)	91,353	–	91,353
Internal grade — underperforming (stage 2)	–	2,854	2,854
Internal grade — default (stage 3)	–	–	–
	91,353	2,854	94,207

(c) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flow is as follows:

At 31 December 2023	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	145,283	–	–	145,283	145,283
Lease liabilities	508	–	–	508	497
Bank and other borrowings	18,410	–	–	18,410	17,818
Loan from the ultimate holding company	50,000	–	–	50,000	50,000
Corporate bonds	9,380	44,850	–	54,230	51,238
Promissory notes	–	35,379	–	35,379	33,755
	223,581	80,229	–	303,810	298,591

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

At 31 December 2022	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	92,544	239	–	92,783	92,783
Lease liabilities	688	508	–	1,196	1,139
Bank borrowings	13,026	–	–	13,026	13,026
Loan from the ultimate holding company	50,000	–	–	50,000	50,000
Corporate bonds	10,900	–	–	10,900	10,900
Convertible bonds	44,850	–	–	44,850	42,525
Promissory notes	35,379	–	–	35,379	35,379
	247,387	747	–	248,134	245,752

(d) Capital management

The Group manages its capital to ensure that the Group's entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of bank and other borrowings, promissory notes, convertible bonds, corporate bonds and lease liabilities, less bank balances and cash and equity attributable to owners of the Company, comprising share capital, other reserves and retained profits as disclosed in the consolidated statement of changes in equity.

Management reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

The Group monitors capital on the basis of the gearing ratio as at 31 December 2023 and 2022. This ratio is calculated as net debts divided by total equity. Net debts is calculated as bank and other borrowings, promissory notes, convertible bonds, corporate bonds and lease liabilities, less bank balances and cash, as shown in the consolidated statement of financial position. Total equity represents the balance as "Total equity" shown in the consolidated statement of financial position.

	2023 HK$'000	2022 HK$'000
Lease liabilities (note 27)	**497**	1,139
Loan from ultimate holding company (note 26)	**50,000**	50,000
Bank and other borrowings (note 28)	**17,818**	13,026
Promissory notes (note 29)	**33,755**	35,379
Convertible bonds (note 30)	**–**	42,525
Corporate bonds (note 31)	**51,238**	10,900
Less: Bank balance and cash	**(24,335)**	(8,188)
	128,973	144,781
Total equity	**107,874**	90,259
Gearing ratio	**119.56%**	160.41%

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2023 HK$'000	2022 HK$'000
Financial assets:		
Financial assets at FVTPL	**126**	194
Financial assets at amortised cost	**380,700**	315,695
	380,826	315,889
Financial liabilities:		
Financial liabilities at amortised cost	**298,288**	244,613

(f) Fair value

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

(g) Fair values measurements

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

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

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

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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

Financial instruments	Fair value measurements using: Fair value as at 2023 HK$'000	 2022 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Financial asset at FVTPL — listed equity securities	**126**	194	Level 1	Quoted price in an active market

7. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Operating segment information

The Group is engaged in the (i) provision of finance leasing and consultancy services in finance leasing business (earning interest income, handling fee and consultancy fee) and purchasing of leased assets; and (ii) cross-border trading business of nutrition food and health care products.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Provision of finance leasing and consultancy services		Cross-border trading business of nutritional food and health care products		Others		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Years ended 31 December								
Revenue from external customers	**277**	849	**761,305**	326,130	**199**	742	**761,781**	327,721
Segment profit/(loss)	**(828)**	1,107	**41,600**	27,935	**(4,487)**	(4,610)	**36,285**	24,432
Gain on modification of promissory note							**2,272**	–
Gain on modification of convertible bonds							**1,665**	–
Written back on accruals							**3,386**	–
Unallocated other operating income							**13**	143
Loss on disposals of subsidiaries							**–**	(24)
Change in fair value of financial asset at FVTPL							**(68)**	(137)
Unallocated expenses							**(9,663)**	(7,271)
Finance costs							**(8,523)**	(723)
Profit before taxation							**25,367**	16,420

Revenue under the other segment represents mainly income derived from website advertising and other consultancy income, which does not meet the quantitative threshold of a separate reportable segment.

Segment results represent the profit/(loss) by each segment without allocation of gain on modification of promissory notes, gain on modification of convertible bonds, written back on accruals,loss on disposals of subsidiaries, change in fair value of financial asset at FVTPL, unallocated expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(Continued)*

Operating segment information *(Continued)*

(b) Segment assets and liabilities

	2023 HK$'000	2022 HK$'000
Segment assets		
Cross-border trading business of nutrition food and health care products	**391,059**	294,355
Finance leasing business	**3,585**	25,295
Others	**9,848**	16,139
Total segment assets	**404,492**	335,789
Unallocated corporate assets	**10,249**	16,655
Total assets	**414,741**	352,444

During the year ended 31 December 2023, these was no addition of non-current assets to the reportable segments of the Group (2022: Nil).

	2023 HK$'000	2022 HK$'000
Segment liabilities		
Cross-border trading business of nutrition food and health care products	**103,705**	79,653
Finance leasing business	**409**	1,139
Others	**10,976**	13,191
Total segment liabilities	**115,090**	93,983
Unallocated corporate liabilities	**191,777**	168,202
Total liabilities	**306,867**	262,185

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

- all assets are allocated to operating segments other than financial asset at FVTPL and other assets for corporate use including certain property, plant and equipment, right-of-use assets, tax recoverables, bank balances and cash and other receivables which were managed in a centralised manner.

- all liabilities are allocated to operating segments other than certain other payables, loan from the ultimate holding company, convertible bonds, promissory notes, corporate bonds, lease liabilities and income tax payables which were managed in a centralised manner.

7. SEGMENT INFORMATION *(Continued)*

Operating segment information *(Continued)*

(c) Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "**PRC**").

Information about the Group's revenue from external customers is presented based on the location of the operations is detailed below:

	For the year ended 2023			For the year ended 2022		
	Revenue from contract with customers HK$'000	**From other sources HK$'000**	**Total HK$'000**	Revenue from contract with customers HK$'000	From other sources HK$'000	Total HK$'000
The PRC	**66,198**	**277**	**66,475**	62,496	849	63,345
Hong Kong	**695,306**	**–**	**695,306**	264,376	–	264,376
	761,504	**277**	**761,781**	326,872	849	327,721

The Group's information about its non-current assets based on the geographical location of the assets is detailed below:

	Non-current assets	
	2023 HK$'000	2022 HK$'000
The PRC	**6,408**	7,137
Hong Kong	**459**	1,072
	6,867	8,209

Note: Non-current assets excluded finance lease receivables.

(d) Information about major customers

Revenue from the customers contributing over 10% of the total revenue of the Group are as follows:

	2023 HK$'000	2022 HK$'000
Cross-border trading of nutrition food and health care products segment		
Customer A	**273,634**	115,449
Customer B	**92,860**	33,506

For the year ended 31 December 2023

8. REVENUE

An analysis of the Group's revenue for the year is as follows:

Disaggregated by major products or service line

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
— Cross-border trading of nutrition food and health care products	761,305	326,130
— Consultancy service income	199	742
Revenue from other sources	761,504	326,872
— Interest income from provision of finance leasing service	277	849
	761,781	327,721

Disaggregation of revenue by timing of recognition

	2023 HK$'000	2022 HK$'000
Timing of revenue recognition		
— At a point in time	761,360	326,707
— Over time	144	165
Total revenue from contract with customers	761,504	326,872

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue contracts of consultancy and other services 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 the revenue contracts of consultancy and other services that had an original expected duration of one year or less.

For the year ended 31 December 2023

9. OTHER OPERATING INCOME

	2023 HK$'000	2022 HK$'000
Bank interest income	17	15
Exchange gain, net	309	–
Gain on modification of promissory note	2,272	–
Gain on modification of convertible bonds	1,665	–
Sundry income	494	348
Written back on accruals	3,386	–
	8,143	363

10. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interests on:		
— bank and other borrowings	1,321	147
— shareholder's loan	4,750	–
Effective interest expenses on:		
— promissory notes	648	–
— corporate bonds	1,758	700
— lease liabilities	46	23
	8,523	870

For the year ended 31 December 2023

11. PROFIT BEFORE TAX

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

	2023 HK$'000	2022 HK$'000
Directors' and chief executive's emoluments	**912**	1,017
Salaries and other allowances (excluding directors' and chief executive's emoluments)	**2,748**	2,789
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**226**	129
Total staff costs	**3,886**	3,935
Auditor's remuneration		
— Audit services	**750**	700
— Non-audit services	**100**	112
Amount of inventories recognised as an expense	**711,311**	304,576
Depreciation of property, plant and equipment	**492**	622
Depreciation on right-of-use assets	**666**	261
Exchange (gain)/loss, net	**(309)**	100
Loss on disposals of subsidiaries (note 36(a))	**–**	24
Gain on modification of promissory notes	**(2,272)**	–
Gain on modification of convertible bonds	**(1,665)**	–
Impairment loss/(reversal of impairment loss) on trade receivables	**6,472**	(3,192)
Reversal of impairment loss on finance lease receivables	**(146)**	(765)
Impairment loss on other receivables and deposits	**5,742**	782
Lease payments in respect of short-term operating lease for rented premises	**498**	160

12. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong Profits Tax		
— Provision for the year	6,071	2,039
— Overprovision in prior years	–	(963)
	6,071	1,076
PRC EIT		
— Provision for the year	24	163
— Over provision in prior years	(273)	–
	(249)	163
	5,822	1,239

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2023.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2022: 25%) during the year.

For the year ended 31 December 2023

12. INCOME TAX EXPENSE *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
Profit before tax	**25,367**	16,420
Tax at domestic tax rate of 16.5%	**4,185**	2,710
Tax effect of expense not deductible for tax purposes	**307**	19
Tax effect of income not taxable for tax purposes	**(650)**	(16)
Tax effect of tax losses not recognised	**652**	344
Effect of different tax rates of subsidiaries	**(851)**	(317)
Tax effect of temporary different not recognised	**2,634**	(147)
Over provision in prior years	**(273)**	(963)
Effect of two-tiered profits tax rates regime	**(165)**	(165)
Tax reduction	**(3)**	(206)
Tax effect of utilisation of tax losses not previously recognised	**(14)**	(20)
Income tax expenses for the year	**5,822**	1,239

At the end of the reporting period, the Group has unused tax losses of approximately HK$6,842,000 (2022: HK$6,665,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$5,836,000 (2022: HK$5,865,000) that will expire after five years from the year of assessment to which they relate. Other losses may be carried forward indefinitely.

Under the EIT Law, a withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

As at 31 December 2023 and 2022, deferred taxation amounted to approximately HK$3,420,000 (2022:HK$4,672,000) has not been provided in the consolidated financial statements regarding to profits by the Group's PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

For the year ended 31 December 2023

Emoluments paid or payable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Liu Xin Chen	–	360	–	360
Mr. Zhang Rujie (ii)	–	240	–	240
Independent non-executive directors				
Mr. Man Wai Lun	120	–	–	120
Mr. Zhou Zhencun (iii)	96	–	–	96
Mr. Chen Yongping (iii)	96	–	–	96
	312	600	–	912

For the year ended 31 December 2023

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2022

Emoluments paid or payable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Liu Xin Chen	–	360	–	360
Mr. Chu Kin Wang Peleus (i)	–	139	–	139
Mr. Zhang Rujie (ii)	–	156	–	156
Independent non-executive directors				
Mr. Man Wai Lun	120	–	–	120
Mr. Zhou Zhencun (iii)	45	–	–	45
Mr. Chen Yongping (iii)	45	–	–	45
Mr. Wong Lap Wai (iv)	75	–	–	75
Mr. Li Guang Jian (v)	77	–	–	77
	362	655	–	1,017

Notes:

(i) Resigned on 25 March 2022

(ii) Appointed on 5 May 2022

(iii) Appointed on 13 July 2022

(iv) Resigned on 31 May 2022

(v) Resigned on 6 June 2022

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2022: two) were directors and the chief executive of the Company for the year ended 31 December 2023 whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining three (2022: three) individuals were as follows:

	2023	2022
	HK$'000	HK$'000
Salaries and other allowances	**1,026**	1,462
Retirement benefit scheme contributions	**43**	47
	1,069	1,509

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Employees' emoluments *(Continued)*

The emoluments of the remaining three (2022: three) individual were within the following bands:

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

There was no discretionary bonus paid or payable to any of the directors and the five highest paid individuals during the years ended 31 December 2023 and 2022.

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

(c) Senior management's emoluments

Senior management represents the executive directors. The emoluments paid or payable to senior management during the year have been set out in the analysis presented above.

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

No significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year of at any time during the year.

For the year ended 31 December 2023

14. DIVIDENDS

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

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000
Earnings		
Earnings for the year attributable to the owners of the Company for the purpose of basic earnings per shares	**20,346**	15,297

	2023 '000	2022 '000
Number of shares		
Weighted average number ordinary shares for the purpose of basic and diluted earnings per share	**982,000**	982,000

Diluted earnings per share were the same as the basic earnings per share for the years ended 31 December 2023 and 2022 as the computation of diluted earnings per share did not assume the conversion of the Company's outstanding convertible bonds since the conversion price of these convertible bonds is higher than the average market price of the ordinary share for the years ended 31 December 2023 and 2022.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Office equipment HK$'000	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2022	9,933	7,445	2,498	1,271	729	21,876
Exchange realignment	(760)	(564)	(144)	(75)	–	(1,543)
At 31 December 2022 and 1 January 2023	**9,173**	**6,881**	**2,354**	**1,196**	**729**	**20,333**
Exchange realignment	**(240)**	**(178)**	**(45)**	**(24)**	**–**	**(487)**
At 31 December 2023	**8,933**	**6,703**	**2,309**	**1,172**	**729**	**19,846**
Accumulated depreciation						
At 1 January 2022	2,956	7,101	2,282	734	728	13,801
Charge for the year	424	74	101	22	1	622
Exchange realignment	(238)	(540)	(135)	(34)	–	(947)
At 31 December 2022 and 1 January 2023	**3,142**	**6,635**	**2,248**	**722**	**729**	**13,476**
Charge for the year	**404**	**74**	**–**	**14**	**–**	**492**
Exchange realignment	**(84)**	**(172)**	**(43)**	**(11)**	**–**	**(310)**
At 31 December 2023	**3,462**	**6,537**	**2,205**	**725**	**729**	**13,658**
Carrying amount						
At 31 December 2023	**5,471**	**166**	**104**	**447**	**–**	**6,188**
At 31 December 2022	6,031	246	106	474	–	6,857

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17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Leased motor vehicles HK$'000	Total HK$'000
At 1 January 2022	–	364	364
Additions	1,275	–	1,275
Depreciation	(204)	(57)	(261)
Exchange realignment	–	(26)	(26)
At 31 December 2022 and 1 January 2023	1,071	281	1,352
Depreciation	**(612)**	**(54)**	**(666)**
Exchange realignment	**–**	**(7)**	**(7)**
At 31 December 2023	**459**	**220**	**679**

Lease liabilities of approximately HK$497,000 (2022: HK$1,139,000) are recognised with related right-of-use assets of approximately HK$679,000 (2022: HK$1,352,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased motor vehicles with carrying amount of approximately HK$220,000 was pledged as security for the Group's lease liabilities.

	2023 HK$'000	2022 HK$'000
Depreciation expenses on right-of-use assets	**666**	261
Interest expense on lease liabilities (included in finance costs)	**46**	23
Lease payments in respect of short-term operating lease for rented premises	**498**	160

The Group leases office, staff quarters and motor vehicles for its operations. Lease contracts are entered into for fixed term of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INTEREST IN A JOINT VENTURE

As at 31 December 2023 and 2022, the Group had interest in the following joint venture:

Name	Form of entity	Place of establishment	Registered capital	Proportion of ownership interests or participating shares held by the Group 2023	2022	Principal activities
Hebao (Shenzhen) Information Technology Company Limited* (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	Ordinary, RMB20,000,000	**49%**	49%	Inactive

* English name is for identification purpose.

As at 31 December 2023 and up to the approval date on these consolidated financial statements, no capital was injected to the joint venture by the Group.

19. FINANCE LEASE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Undiscounted lease payments analysed as:		
Recoverable within 12 months	**591**	5,637
Recoverable after 12 months	**–**	607
	591	6,244
Net investment in the lease analysed as:		
Recoverable within 12 months	**553**	5,224
Recoverable after 12 months	**–**	581
	553	5,805

For the year ended 31 December 2023

19. FINANCE LEASE RECEIVABLES *(Continued)*

Amounts receivable under finance leases based on repayment schedule is as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**591**	5,637
In the second year	**–**	607
In the third year	**–**	–
In the fourth year	**–**	–
In the fifth year	**–**	–
Undiscounted lease payments	**591**	6,244
Less: unearned finance income	**(26)**	(277)
Present value of minimum lease payments	**565**	5,967
Impairment loss as recognised	**(12)**	(162)
Net investment in lease	**553**	5,805

Certain machinery of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

Movements of impairment loss as recognised is as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**162**	981
Impairment loss reversed for the year	**(146)**	(765)
Exchange realignment	**(4)**	(54)
At end of the year	**12**	162

During the year, the decrease in net investment in lease mainly represent recovery of finance lease receivables in according to the finance lease agreements.

19. FINANCE LEASE RECEIVABLES *(Continued)*

The effective interest rates of the above finance leases are charged at 11% (2022: 11% to 13%) per annum. The relevant lease contracts entered into of approximately HK$3,320,000 (2022: HK$36,484,000) was aged within 5 years (2022: 3–5 years) at the end of the reporting period.

As at 31 December 2023 and 2022, all the finance lease receivables were secured by the leased assets and customers' deposits (2022: leased assets and customers' deposits). The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

Deposits of approximately HK$232,000 (2022:HK$692,000) have been received by the Group to secure certain finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing. In addition, the finance lease receivables are secured over the leased assets, mainly machinery leased, as at 31 December 2023 and 2022. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

All finance leasing arrangement are denominated in RMB, which is the functional currency of the Group's entity which engages in the finance leasing business and accordingly, the Group is not exposed to foreign currency risk.

20. INVENTORIES

	2023 **HK$'000**	2022 HK$'000
Merchandise	**25,712**	26,991

At the end of reporting period, the Group's inventories were stated at cost.

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21. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Receivables at amortised cost comprise:		
Trade receivables	**360,993**	222,205
Less: allowance for impairment losses	**(18,980)**	(12,630)
	342,013	209,575
Other receivables	**20,244**	92,639
Less: allowance for impairment losses	**(7,745)**	(2,080)
	12,499	90,559
Deposits and prepayments	**1,393**	1,647
	355,905	301,781

The Group generally allows an average credit period of 60–180 days (2022: 60–180 days) to its trade customers. Set out below the ageing analysis of the Group's trade receivables, based on invoice date, at the end of reporting period.

	2023 HK$'000	2022 HK$'000
0–30 days	**20,918**	48,069
31–60 days	**24,680**	46,039
Over 60 days	**296,415**	115,467
	342,013	209,575

21. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group does not charge interest or hold any collateral over these balances.

The impairment methodology is set out in notes 4 and 6 to the consolidated financial statements.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Details of the credit risk assessment are included in note 6(b) to the consolidated financial statements.

The directors of the Company are of the opinion that there is no significant increase of credit risk regarding the outstanding balances of trade receivables over due for over 60 days as at the end of reporting period, after carefully considered the payment patterns and credit history of these customers.

The movements in the impairment loss for trade receivables is set out below:

	2023 **HK$'000**	2022 HK$'000
At beginning of year	**12,630**	15,878
Impairment loss/(reversal of impairment loss) recognised for the year	**6,472**	(3,192)
Exchange realignment	**(122)**	(56)
At end of year	**18,980**	12,630

At the end of the reporting period, trade receivables of the Group are denominated in the following currencies:

	2023 **HK$'000**	2022 HK$'000
HK$	**156,373**	160,813
USD	**63,805**	7,085
RMB	**121,835**	41,677
	342,013	209,575

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21. TRADE AND OTHER RECEIVABLES *(Continued)*

The movement in the allowance for impairment for other receivables is set out below:

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL — not credit impaired HK$'000	Stage 3 Lifetime ECL — credit impaired HK$'000	Total HK$'000
At 1 January 2022	1,429	–	–	1,429
Transfer from stage 1 to stage 2	(1,429)	1,429	–	–
Impairment loss recognised during the year	319	463	–	782
Exchange realignment	(9)	(122)	–	(131)
At 31 December 2022 and 1 January 2023	310	1,770	–	2,080
Transfer from stage 1 to stage 2	**(310)**	**310**	**–**	**–**
Impairment loss recognised during the year	**595**	**5,147**	**–**	**5,742**
Exchange realignment	**(2)**	**(75)**	**–**	**(77)**
At 31 December 2023	**593**	**7,152**	**–**	**7,745**

22. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include:

	2023 HK$'000	2022 HK$'000
Equity securities listed in Hong Kong, at fair value	**126**	194

23. BANK BALANCES AND CASH

At the end of reporting period, the bank and cash balances of the Group are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**20,286**	176
RMB	**3,887**	6,453
US$	**162**	1,559
	24,335	8,188

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. However, exchange of RMB into other currencies is permitted by the Group through bank authorised to conduct exchange business.

24. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Non-current		
Security deposit for finance lease receivables	–	239
Current		
Trade payables	77,837	51,780
Other payables	62,464	40,018
Interest payable	4,750	–
Security deposit for finance lease receivables	232	453
Value added tax payables	194	293
	145,477	92,544

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

	2023 HK$'000	2022 HK$'000
0–30 days	33,764	12,195
31–60 days	19,271	19,448
Over 60 days	24,802	20,137
	77,837	51,780

The average credit period on purchases of goods is 60 days (2022: 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2023, approximately HK$55,879,000 (2022: HK$28,244,000) of other payables of the Group were denominated in HK$, which is not the functional currencies of the relevant Group entities and exposed the Group to the foreign currency risk.

25. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Billings in advance of performance obligation		
— Trading of goods	–	10,134

Contract liabilities relating to trading of goods are balances due to customers under sales contracts, which mainly represent trade deposits received from customers before delivery of ordered goods. Decrease of contract liabilities during the reporting period was result of sales orders completed.

Movements in contract liabilities:

	2023 HK$'000	2022 HK$'000
Balance at 1 January	10,134	–
(Decrease)/increase in contract liabilities	(10,134)	10,134
Balance at 31 December	–	10,134

26. LOAN FROM THE ULTIMATE HOLDING COMPANY

	2023 HK$'000	2022 HK$'000
Unsecured:		
Loan repayable within one year	**50,000**	50,000

The fixed interest rate of the loan from the ultimate holding company is 9.5% (2022: 9.5%) per annum. Pursuant to a supplemented loan agreement dated on 22 March 2023, interest charge of loan from the ultimate holding company from May 2018 to 31 December 2022 had been waived. The loan from ultimate holding company will be repayable on demand.

As at 31 December 2023, approximately HK$50,000,000 (2022: HK$50,000,000) of loan from the ultimate holding company was denominated in HK$ which is not the functional currency of the relevant Group entity and exposed the Group to foreign currency risk.

27. LEASE LIABILITIES

	Minimum lease payments		Present value of lease payments	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Within one year	**508**	688	**497**	642
In the second to fifth years, inclusive	**–**	508	**–**	497
	508	1,196	**497**	1,139
Less: Future finance charges	**(11)**	(57)	**N/A**	N/A
Present value of lease obligations	**497**	1,139	**497**	1,139
Less: Amount due for settlement within 12 months (shown under current liabilities)			**497**	642
Amount due for settlement after 12 months			**–**	497

The average incremental borrowing rates applied to lease liabilities is 5.625% (2022: 5–5.625%).

At the end of the reporting period, lease liabilities of the Group are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**497**	1,129
RMB	**–**	10
	497	1,139

28. BANK AND OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loan	1,655	1,699
Other loans	16,163	11,327
	17,818	13,026
Less: current portion	(17,818)	(13,026)
Non-current portion	–	–
The above borrowings are repayable as follows:		
Within one year or on demand	17,818	13,026

As at 31 December 2023, the Group's bank borrowings are denominated in RMB, repayable in one year and bearing a fixed interest of 9% (2022: 8.4%) per annum.

As at 31 December 2023, the Group's other loans are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
RMB	17,418	13,026
HK$	400	–
	17,818	13,026

As at 31 December 2023, the Group's bank borrowings are secured by personal guarantee up to RMB1,500,000, provided by a director of a subsidiary (2022: personal guarantee provided by a director of a subsidiary).

As at 31 December 2023, the Group's other loans are unsecured, interest at 8% per annum and repayable within one year.

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29. PROMISSORY NOTES

The Group issued certain unlisted promissory notes with interest bearing at interest rate of 3%–4% (2022: 3%–4%) per annum. The promissory notes and the interests accrued will be repayable on the expiry day of 12–24 (2022: 12–24) month period from the date of issuance. The effective interest rates applied to promissory notes are 2.96% to 3.92% (2022: 2.96% to 3.92%). The interests for the years ended 31 December 2022 and 2023 had been conditionally waived. During the reporting period, modification gain of approximately HK$2,272,000 was recognised as a result of extension of repayment dates.

	HK$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	**35,379**
Imputed interest charged	**648**
Modification	**(2,272)**
As at 31 December 2023	**33,755**

	2023 HK$'000	2022 HK$'000
The promissory notes are repayable as follows:		
Within 1 year	**–**	35,379
Over 1 year but within 2 years	**33,755**	–
	33,755	35,379

The Group's promissory notes were unsecured, denominated in HK$ which is not the functional currency of the relevant Group entity and exposed the Group to foreign currency risk.

30. CONVERTIBLE BONDS

The convertible bonds were issued on 24 June 2019. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and 24 June 2023. The bonds are convertible to an aggregated of 195,000,000 ordinary shares of the Company at HK$0.2 per share.

During the year, the Company and the holder of the convertible bonds reached an agreement upon the expiry of the convertible bonds and the conversion right, pursuant to which (i) the bond interest for 1 January 2023 to 24 June 2025 is waived; and (ii) the outstanding principal and interest amounted to approximately HK$44,850,000 became interest-free and wholly repayable on 24 June 2025. Accordingly, the Company recalculated the present value of the convertible bonds and reclassified as corporate bonds. Gain on modification of convertible bonds amounted to approximately HK$1,665,000 was recognised in profit or loss.

31. CORPORATE BONDS

During the year ended 31 December 2015, the Group issued 4 trenches of unlisted corporate bonds of an aggregate principal amount of HK$10,000,000 bearing an interest rate of 7% per annum, payable annually. The corporate bonds will be repayable on demand. The effective interest rate applied to corporate bonds is 10.2%.

During the year ended 31 December 2023, the outstanding principal and interest of the convertible bonds was reclassified as corporate bonds. Further details are disclosed in note 30 to the consolidated financial statements.

	2023 **HK$'000**	2022 HK$'000
At 1 January	**10,900**	10,340
Reclassified from convertible bonds	**40,860**	–
Imputed interest charged (note 10)	**1,758**	700
Repayment	**(2,000)**	–
Interest paid	**(280)**	(140)
At 31 December	**51,238**	10,900

	2023 **HK$'000**	2022 HK$'000
The corporate bonds are repayable as follows:		
Repayable on demand or	**9,380**	10,900
Over 1 year but within 2 years	**41,858**	–
	51,238	10,900

The Group's corporate bonds were unsecured and denominated in HK$ which is not the functional currency of the relevant Group entity and exposed the Group to foreign currency risk.

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32. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.005 each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	20,000,000	100,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.005 each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	982,000	4,910

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts which include loan from the ultimate holding company, convertible bonds, promissory notes, corporate bonds and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt and new share issues.

The Group is not subject to any externally imposed capital requirements except for the Group in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registers periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

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33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current assets		
Interests in subsidiaries	–*	–*
	–*	–*
Current assets		
Other receivables	276	3,835
Amounts due from subsidiaries	71,216	41,765
Bank and cash balances	106	19
	71,598	45,619
Current liabilities		
Other payables	54,209	24,480
Convertible bonds	–	42,525
Other borrowings	400	–
Loan from the ultimate holding company	50,000	50,000
Promissory notes	–	35,379
Corporate bonds	9,380	10,900
Amounts due to subsidiaries	118,527	120,945
	232,516	284,229
Net current liabilities	(160,918)	(238,610)
Total assets less current liabilities	(160,918)	(238,610)
Non-current liabilities		
Corporate bonds	41,858	–
Promissory notes	33,755	–
	75,613	–
NET LIABILITIES	(236,531)	(238,610)
Capital and reserves		
Share capital	4,910	4,910
Reserves	(241,441)	(243,520)
CAPITAL DEFICIENCY	(236,531)	(238,610)

* Represents amount less than HK$1,000.

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Liu Xin Chen	**Zhang Rujie**
Director	*Director*

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34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium (note 34(c)(i)) HK$'000	Equity component of convertible bonds (note 34(c)(ii)) HK$'000	Foreign currency translation reserve (note 34(c)(iii)) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2021 and 1 January 2022	190,049	6,640	(6,172)	(407,180)	(216,663)
Loss for the year and total comprehensive expense for the year	–	–	–	(26,857)	(26,857)
At 31 December 2022 and 1 January 2023	190,049	6,640	(6,172)	(434,037)	(243,520)
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**2,079**	**2,079**
Lapse of convertible bonds	**–**	**(6,640)**	**–**	**6,640**	**–**
At 31 December 2023	**190,049**	**–**	**(6,172)**	**(425,318)**	**(241,441)**

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and after deduction of capitalisation issue and issuance costs of shares.

In accordance with the Bermuda Companies Act 1981, the Company's share premium are distributable in the form of fully paid bonus shares.

(ii) Equity component of convertible bonds

The equity component of convertible bonds represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(n) to the financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation 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 the accounting policies set out in note 4(c)(iii) to the consolidated financial statements.

35. SUBSIDIARIES OF THE COMPANY

Particular of the principal subsidiaries of the Company as 31 December are as follows:

Name of Company	Place/Country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Direct		Indirect				
			2023	2022	**2023**	2022	**2023**	2022	
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary share US$1	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	**–**	–	**100%**	100%	**100%**	100%	Inactive
Prokit Limited 博奇有限公司	Hong Kong	Ordinary share HK$1	**–**	–	**100%**	100%	**100%**	100%	Inactive
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	**–**	–	**100%**	100%	**100%**	100%	Inactive
Sino Top Capital Resources Limited 華威資本有限公司	Hong Kong	Ordinary share HK$1	**–**	–	**100%**	100%	**100%**	100%	Finance leasing
Shanxi Sino Top Leasing Limited* 山西華威融資租賃有限公司 (note a)	The PRC	Ordinary shares US$10,000,000	**–**	–	**100%**	100%	**100%**	100%	Finance leasing and trading of metal and equipment
World Channel Development Limited	British Virgin Islands	Ordinary share US$1	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Dailuyang Electronic Commerce Limited 帶路羊電子商貿有限公司	Hong Kong	Ordinary share HK$1	**–**	–	**100%**	100%	**100%**	100%	Trading of nutritional food and health care products

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35. SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of Company	Place/Country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Direct		Indirect				
			2023	2022	**2023**	2022	**2023**	2022	
Infinity Financial Group (Holdings) Limited (formerly known as Forton Group Limited)	Hong Kong	Ordinary share HK$1	**–**	–	**100%**	100%	**100%**	100%	Inactive
Rong Shan Capital Resources Limited 融山資本有限公司	Hong Kong	Ordinary shares HK$10,000	**–**	–	**100%**	100%	**100%**	100%	Inactive
Taili Asia Development Co. Ltd (note f)	Hong Kong	Ordinary shares HK$10,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd* 亞太鯤鵬融資租賃(深圳)有限公司 (note a)	The PRC	Ordinary shares US$2,000,000 (note b)	**–**	–	**100%**	100%	**100%**	100%	Finance leasing and related consultancy service
深圳市前海中茂商業保理有限公司 (note a)	The PRC	Ordinary shares RMB40,000	**–**	–	**100%**	100%	**100%**	100%	Inactive
深圳市正原供應鏈有限公司 (Notes a)	The PRC	(note c)	**–**	–	**100%**	100%	**100%**	100%	Inactive
融元融資租賃(上海)有限公司 (note a)	The PRC	(note d)	**–**	–	**100%**	100%	**100%**	100%	Inactive
喀什智拓信息科技有限公司 (note b)	The PRC	Ordinary share RMB1,020,500	**–**	–	**51%**	51%	**51%**	51%	Provision of consultancy services

35. SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of Company	Place/Country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Direct		Indirect				
			2023	2022	2023	2022	2023	2022	
深圳越洋供應鏈管理有限公司 ("**越洋供應鏈**") (note a)	The PRC	Ordinary share RMB4,540,000 (note g)	**–**	–	**100%**	100%	**100%**	100%	Provision of consultancy services
深圳融正易乾汽車租賃有限責任公司 ("**深圳融正**") (note b)	The PRC	Ordinary share RMB1,100,000 (note h)	**–**	–	**51%**	51%	**51%**	51%	Finance leasing and related consultancy service
汕尾融正易乾汽車租賃有限責任公司 ("**汕尾融正**") (note b)	The PRC	(note i)	**–**	–	**51%**	51%	**51%**	51%	Finance leasing and related consultancy service
深圳市帶路羊跨境電商有限公司 ("**深圳帶路羊**") (note k)	The PRC	(note j)	**–**	–	**100%**	100%	**100%**	100%	Trading of nutritional food and health care products

* English name is for identification purpose only.

Note a: Wholly foreign-owned enterprise established in the PRC.

Note b: Limited companies established in the PRC.

Note c: The registered capital of Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd amounted to US$10,000,000 of which US$8,000,000 remained unpaid up to date.

Note d: The registered capital of Zhongmao Leasing amounted to RMB5,000,000 of which RMB4,960,000 remained unpaid up to date.

Note e: The registered capital of 正原供應鏈 amounted to RMB60,000,000 remained unpaid up to date.

Note f: The registered capital of 融元融資租賃(上海)有限公司 amounted to US$50,000,000 remained unpaid up to date.

Note g: The registered capital of 越洋供應鏈 amounted to RMB$5,000,000 of which RMB460,000 remained unpaid up to date.

Note h: The registered capital of 深圳融正 amounted to RMB$10,000,000 of which RMB8,900,000 remained unpaid up to date.

Note i: The registered capital of 汕尾融正 amounted to RMB$1,000,000 remained unpaid up to date.

Note j: The registered capital of 深圳帶路羊 amounted to RMB1,000,000 remained unpaid up to date.

Note k: Limited liability company (legal person sole investment) established in the PRC.

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35. SUBSIDIARIES OF THE COMPANY *(Continued)*

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	喀什智拓信息科技有限公司		深圳融正易乾汽車租賃有限責任公司	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Principal place of business/country of establishment	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC
% of ownership interests/voting rights held by NCI	**49%**	49%	**49%**	49%
At 31 December:				
Current assets	**3,395**	3,710	**3,284**	3,752
Current liabilities	**(612)**	(920)	**(119)**	(120)
Net assets	**2,783**	2,790	**3,165**	3,632
Accumulated NCI	**1,364**	1,367	**1,551**	1,780
Year ended 31 December:				
Revenue	**–**	–	**144**	165
Loss	**(66)**	(241)	**(1,702)**	(4)
Total comprehensive (loss)/income	**(6)**	(485)	**(1,795)**	296
Loss allocated to NCI	**(3)**	(238)	**(880)**	(145)
Net cash (used in)/generated from operating activities	**(73)**	(184)	**(1,183)**	835
Net cash from investing activities	**–**	–	**–**	–
Net cash from financing activities	**–**	–	**651**	–
(Decrease)/Increase in cash and cash equivalents	**(73)**	(184)	**(532)**	835

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

On 12 October 2022, the Group disposed of its entire interests in Infinity International Holdings Limited, a company incorporated in the BVI, and its subsidiaries (collectively the "**Infinity Group**") to an independent third party purchaser. The principal activity of Infinity Group is inactive. The total consideration of the disposal was US$3.

	HK$'000
Prepayment	24
Amounts due to fellows subsidiaries	(83)
Amount due to ultimate holding company	(5)
Amount due from Infinity Group	88
Net loss on disposal of subsidiaries	24

	HK$'000
Net assets of Infinity Group disposed of	24
Waiver of amount due to fellows subsidiaries	83
Wavier of amount due to ultimate holding company	5
Waiver of amount due from Infinity Group	(88)
Net loss on disposal of subsidiaries	(24)
Cash consideration*	–

* Amount less than HK$1,000

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

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

	1 January 2023 HK$'000	Cash flows HK$'000	Finance costs incurred (note 10) HK$'000	Reclassified as corporate bonds HK$'000	Modification (note 9) HK$'000	Exchange realignments HK$'000	31 December 2023 HK$'000
Loan from the ultimate holding company (note 26)	**50,000**	**–**	**–**	**–**	**–**	**–**	**50,000**
Lease liabilities (note 27)	**1,139**	**(688)**	**46**	**–**	**–**	**–**	**497**
Bank and other borrowings	**13,026**	**3,736**	**1,321**	**–**	**–**	**(265)**	**17,818**
Convertible bonds — liabilities component (note 30)	**42,525**	**–**	**–**	**(40,860)**	**(1,665)**	**–**	**–**
Promissory notes (note 29)	**35,379**	**–**	**648**	**–**	**(2,272)**	**–**	**33,755**
Corporate bonds (note 31)	**10,900**	**(2,280)**	**1,758**	**40,860**	**–**	**–**	**51,238**
	152,969	**768**	**3,773**	**–**	**(3,937)**	**(265)**	**153,308**

	1 January 2022 HK$'000	Cash flows HK$'000	Finance costs incurred (note 10) HK$'000	New lease arrangement HK$'000	Termination of lease arrangements HK$'000	Exchange realignments HK$'000	31 December 2022 HK$'000
Loan from the ultimate holding company (note 26)	50,000	–	–	–	–	–	50,000
Lease liabilities (note 27)	139	(291)	23	1,275	–	(7)	1,139
Bank and other borrowings	1,840	11,410	137	–	–	(361)	13,026
Convertible bonds — liabilities component (note 30)	42,525	–	–	–	–	–	42,525
Promissory notes (note 29)	35,379	–	–	–	–	–	35,379
Corporate bonds (note 31)	10,340	(140)	700	–	–	–	10,900
	140,223	10,979	860	1,275	–	(368)	152,969

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

Amounts included in the cash flow statements for lease comprise the following:

	2023 HK$'000	2022 HK$'000
Within operating cash flows	498	160
Within financing cash flows	688	291
	1,186	451

These amounts relate to the following:

	2023 HK$'000	2022 HK$'000
Lease rental paid	1,186	451

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37. CAPITAL COMMITMENT

	2023 HK$'000	2022 HK$'000
Capital expenditure in respect of contracted commitments for capital contribution to investees	**10,810**	11,100

38. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2023 and 2022.

39. RELATED PARTY TRANSACTIONS

Save as balances of related party disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year.

Key Management Compensation

Key management mainly represents the Company's directors. Their remuneration have been disclosed in note 13 to the consolidated financial statements.

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December/As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**761,781**	327,721	651,441	353,958	299,525
Cost of sales	**(711,584)**	(304,579)	(594,357)	(329,081)	(281,665)
Gross profit	**50,197**	23,142	57,084	24,877	17,860
Other gains	**8,143**	363	672	7,483	798
Loss on disposal of subsidiaries	**–**	(24)	–	–	(931)
Change in fair value of financial assets at FVTPL/held-for-trading investment	**(68)**	(137)	182	(68)	(159)
Selling and distribution expenses	**(39)**	(19)	(1,003)	(440)	(1,450)
Administrative and other expenses	**(24,343)**	(6,035)	(29,597)	(21,426)	(27,592)
Finance costs	**(8,523)**	(870)	(6,436)	(5,248)	(8,578)
Profit/(loss) before tax	**25,367**	16,420	20,902	5,178	(20,052)
Income tax (expense) credit	**(5,822)**	(1,239)	(5,091)	(258)	1,354
Profit/(loss) for the year	**19,545**	15,181	15,811	4,920	(18,698)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations and total other comprehensive income (expense)	**(2,581)**	(8,636)	1,654	6,306	(1,379)
Release of exchange reserve upon disposals of subsidiaries	**–**	–	–	–	1,550
Total comprehensive income (expense) for the year	**16,964**	6,545	17,465	11,226	(18,527)
Total comprehensive income (expenses) attributable to:					
— Owners of the Company	**17,847**	6,928	17,204	10,794	(18,527)
— Non-controlling interests	**(883)**	(383)	261	432	–
	16,964	6,545	17,465	11,226	(18,527)

ASSETS AND LIABILITIES

	Year ended 31 December/As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**414,741**	352,444	366,846	381,022	253,168
TOTAL LIABILITIES	**(306,867)**	(262,185)	(283,132)	(315,761)	(200,982)
NET ASSETS	**107,874**	90,259	83,714	65,261	52,186
Equity attributable to:					
— Owners of the Company	**104,959**	87,112	80,184	62,980	52,186
— Non-controlling interests	**2,915**	3,147	3,530	2,281	–
	107,874	90,259	83,714	65,261	52,186