Prosperous Printing Company Limited
萬里印刷有限公司

(Incorporated in Hong Kong with Limited Liability)

Stock Code: 8385

2024 ANNUAL REPORT

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

AUDIT COMMITTEE

Ms. Cheung Yin *(Chairman)*
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

REMUNERATION COMMITTEE

Mr. Wong Hei Chiu *(Chairman)*
Ms. Cheung Yin
Mr. Lam Sam Ming

NOMINATION COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Mr. Wong Hei Chiu
Ms. Cheung Yin

RISK MANAGEMENT COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Ms. Chan Sau Po
Ms. Yao Yuan

COMPANY SECRETARY

Mr. Chen Kun *(Solicitor of HKSAR)*

AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming
Ms. Chan Sau Po

COMPLIANCE OFFICER

Ms. Chan Sau Po

REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Yip Cheung Centre
10 Fung Yip Street
Chai Wan
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
  Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

WM CPA Limited
Certified Public Accountants
18/F, King's Commercial Center
25 King's Road
Hong Kong

COMPANY'S WEBSITE

www.prosperous-printing-group.com.hk

STOCK CODE

8385

Highlights

FINANCIAL HIGHLIGHTS

- The revenue of the Group was approximately HK$50.1 million for the year ended 31 December 2024 representing a decrease of approximately 65.7% from approximately HK$146.2 million for the year ended 31 December 2023.

- The gross loss was approximately HK$2.0 million for the year ended 31 December 2024, as compared to the gross profit of approximately HK$34.9 million for the year ended 31 December 2023.

- The net loss for the year was approximately HK$45.6 million for the year ended 31 December 2024, as compared to the net loss of approximately HK$23.0 million recorded for the year ended 31 December 2023.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (for the same period ended 31 December 2023: Nil)

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2024 (the "**the Year**" or "**Current Period**" or "**Reporting Period**").

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the "**U.S.**"), the United Kingdom (the "**U.K.**"), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The Group's revenue decreased by approximately 65.7% from approximately HK$146.2 million for the year ended 31 December 2023, to approximately HK$50.1 million for the year ended 31 December 2024 due to decrease in sales order. The Group recorded a net loss of approximately HK$45.6 million during the year ended 31 December 2024, as compared to a net loss of approximately HK$23.0 million during the year ended 31 December 2023 which was mainly due to decrease in customer order.

The Group's Shenzhen Factory has discontinued operation in June 2024. For details, please refer to the announcement dated 31 May 2024 and 19 June 2024.

The Group's Hong Kong Factory discontinued operation as the site of operation has been surrendered to a commercial bank, the details of which are set out in the announcement dated 11 November 2024. After delivery of vacant possession, the Group intends to maintain office in Hong Kong and allocate all the customer orders to Huizhou Factory (as defined in the announcement dated 30 October 2024) which was partially owned by the Group through joint venture arrangement as disclosed in the announcement dated 30 October 2024, and/or other sub-contractors in mainland PRC.

The remaining business operation of the Group after Shenzhen Factory's discontinuance ("**Remaining Group**") will continue to be principally engaged in the business of provision of printing services, while the Remaining Group will switch part of its business model from self-production through its own factory in PRC to outsourcing printing orders to Huizhou Factory or other external sub-contractors in PRC. As disclosed in the announcement dated 30 October 2024, the Company and JV Party entered into JV Agreement with respect to the Huizhou Factory. As disclosed in the announcement dated 29 November 2024, the Huizhou Factory has commenced operation and has received sub-contracting orders from the Group.

Looking forward, the Group will strive to maintain its operation by adapting to new business model through the Huizhou Factory. However, the business environment remains challenging, and there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, the global economy uncertainty, Russia-Ukraine war, the U.S.-China trade dispute, technological advancements in publishing and new forms of information dissemination. The Group was established in Hong Kong in 1992 and had a long established presence in printing industry, and will strive to take advantage of its competitiveness such as adherence to international standards, strong and stable project management skills so as to source orders from overseas customers which can be undertaken by factory in mainland of PRC and outsourcing to Huizhou Factory or other sub-contractors in mainland of PRC for a profit margin, which the Company believes will significantly reduce the Company's fixed overhead costs in order to improve its cashflow.

Chairman's Statement

FINANCIAL REVIEW

The revenue of the Group was approximately HK$50.1 million for the year ended 31 December 2024 representing a decrease of approximately 65.7% from approximately HK$146.2 million for the year ended 31 December 2023. Such decrease was mainly due to decrease in sales order affected by the cessation of operation of Shenzhen Factory and Hong Kong Factory as well as overall global economy uncertainty. The gross loss was approximately HK$2.0 million for the year ended 31 December 2024, as compared to the gross profit of approximately HK$34.9 million for the year ended 31 December 2023.

OUTLOOK

Looking forward, there are certain risks that the Group will face in further development such as regaining customer order, challenges from the uncertainty of economies by reason of, among others, weak market demand, Russia-Ukraine conflict, the U.S.-China trade dispute, and technological advancements in publishing and new forms of information dissemination.

APPRECIATION

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development. I also take this opportunity to thank the management and employees of the Group for their contribution and commitment throughout the year.

Mr. Lam Sam Ming
Chairman

Hong Kong, 31 March 2025

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lam Sam Ming (林三明) ("Mr. Lam"), aged 63, was appointed as our Director on 26 April 1993 and was re-designated as our executive Director on 8 September 2016. He is also the chairman and CEO of our Group and a Controlling Shareholder.

Mr. Lam is primarily responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and operation functions of our Group.

Mr. Lam has over 41 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding our Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd ("**HYP**"). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department.

Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the section headed "History, Reorganisation and Corporate Structure – Our Corporate Development" in the Prospectus for further details. Currently, Mr. Lam assumes various directorships in our Group including those in Printplus, Great Wall and Century Sight. Mr. Lam is the spouse of Ms. Yao who is also our executive Director.

Mr. Lam was the sole director of Topping Shiny Limited ("**Topping Shiny**"), which was incorporated in Hong Kong, prior to its dissolution on 17 March 2017. The principal business of Topping Shiny was the provision of personalised photo albums. Topping Shiny was dissolved by way of deregistration under section 750 of the Companies Ordinance. Under this section, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Lam has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Mr. Lam is interested in 48,000,000 Shares held through First Tech, which is wholly and beneficially owned by Mr. Lam. Mr. Lam is a director of First Tech.

Ms. Yao Yuan (姚遠) ("Ms. **Yao")**, aged 48, was appointed as our Director on 10 March 2016 and was re–designated as our executive Director on 8 September 2016.

Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to our Group's operations in the PRC. She has over 15 years of experience in the management of printing business and operations in the PRC. Prior to joining our Group, Ms. Yao was the general manager and a majority shareholder of Royal Step (SZ) which was our Group's customer and sub-contractor during the three years ended 31 December 2019 and was primarily responsible for the overall management of the company, from 2008 to 2015. Ms. Yao was also the director of Royal Step Printing Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, from 2008 to 2015.

Profiles of Directors and Senior Management

Ms. Yao graduated from the University of Qiqihar (齊齊哈爾大學), the PRC, in July 1999 with a practicing diploma in Mechanical Design and Manufacturing (機械設計及製造). Ms. Yao is the spouse of Mr. Lam who is also our executive Director. Ms. Yao has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Ms. Yao is deemed to be interested in 48,000,000 Shares held by Mr. Lam, the spouse of Ms. Yao, through First Tech, which is wholly and beneficially owned by Mr. Lam.

Ms. Chan Sau Po (陳秀寶) ("Ms. Chan"), aged 51, was appointed as our executive Director and chief financial controller of our Group on 8 September 2016.

Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of our Group. Ms. Chan joined our Group in February 1997 and has over 31 years of experience in accounting. Prior to joining our Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

Ms. Chan obtained her higher diploma in accountancy from the Hong Kong Polytechnic University in 1999. Ms. Chan has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Yin (張延) ("Ms. Cheung"), aged 59, was appointed as an independent non-executive Director on 15 November 2017. She is currently a financial controller of LWH Advisory Limited, a company incorporated in Macau which is principally engaged in provision of various financial services. Ms. Cheung is also the Company Secretary and Authorised Representative for Finet Group Limited (Stock Code: 8317) and GBA Holdings Limited (Stock Code: 261). Since 18 January 2021, Ms. Cheung has been appointed an independent non-executive director of Joyas International Holdings Limited (SGX: E9L) which is listed on the Catalist of Singapore Exchange Limited. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.

Ms. Cheung obtained a master's degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor's degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991.

Ms. Cheung worked for Coastal Greenland Limited which is listed on the Main Board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/accounting manager for the period from September 1995 to March 2004. She has over 31 years of experience in accounting, auditing and financial management. Save as disclosed above, Ms. Cheung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Profiles of Directors and Senior Management

Mr. Wong Hei Chiu (黃禧超) ("Mr. Wong"), aged 58, was appointed as an independent non-executive Director on 15 November 2017. Mr. Wong has over 30 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the Main Board of the Stock Exchange (Stock Code: 1170). From January 2018 to March 2019, Mr. Wong was an independent non-executive director of Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (stock code: 1621).

Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Jimei International Entertainment Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016.

Mr. Wong obtained an Executive Diploma in Corporate Governance and Sustainability Directorship from The Hong Kong Institute of Directors and completed the Prince of Wales' Business Sustainability Programme from the University of Cambridge Institute for Sustainability Leadership in 2019.

Mr. Wong obtained an Executive Master's degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor's degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors. Save as disclosed above, Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Mr. Leung Vincent Gar-Gene (梁家進) ("Mr. Leung"), aged 39, was appointed as an independent non-executive Director on 15 November 2017. Mr. Leung is an experienced finance and accounting professional. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Council. He is also a licensed person to carry on Type 9 (asset management) regulated activity under the Hong Kong Securities and Futures Ordinance since July 2019.

Mr. Leung has been as an independent non-executive director of GBA Holdings Limited (stock code: 261) from 27 March 2023. He was also appointed to the board of Evergrande New Energy Vehicle Company (Stock code 708) as an Independent Non-Executive Director on the 5th August 2024. Previously, Mr Leung was an independent non-executive director of Samson Paper Holdings Limited (now known as C&D Newin Paper & Pulp Corporation Limited) (stock code: 731) from July 2020 to January 2022.

Profiles of Directors and Senior Management

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006. Except as disclosed above, Mr. Leung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

COMPLIANCE OFFICER

Ms. Chan Sau Po is the compliance officer of our Group. Please refer to the sub-section headed *"Board of Directors – Executive Directors"* above for her biographical details.

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the "**U.S.**"), the United Kingdom (the "**U.K.**"), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The Group's revenue decreased by approximately 65.7% from approximately HK$146.2 million for the year ended 31 December 2023, to approximately HK$50.1 million for the year ended 31 December 2024 due to decrease in sales order. The Group recorded a net loss of approximately HK$45.6 million during the year ended 31 December 2024, as compared to a net loss of approximately HK$23.0 million during the year ended 31 December 2023 which was mainly due to decrease in customer order.

The Group's Shenzhen Factory has discontinued operation in June 2024. For details, please refer to the announcement dated 31 May 2024 and 19 June 2024.

The Group's Hong Kong Factory discontinued operation as the site of operation has been surrendered to a commercial bank, the details of which are set out in the announcement dated 11 November 2024. After delivery of vacant possession, the Group intends to maintain office in Hong Kong and allocate all the customer orders to Huizhou Factory (as defined in the announcement dated 30 October 2024) which was partially owned by the Group through joint venture arrangement as disclosed in the announcement dated 30 October 2024, and/or other sub-contractors in mainland PRC.

The remaining business operation of the Group after Shenzhen Factory's discontinuance ("**Remaining Group**") will continue to be principally engaged in the business of provision of printing services, while the Remaining Group will switch part of its business model from self-production through its own factory in PRC to outsourcing printing orders to Huizhou Factory or other external sub-contractors in PRC. As disclosed in the announcement dated 30 October 2024, the Company and JV Party entered into JV Agreement with respect to the Huizhou Factory. As disclosed in the announcement dated 29 November 2024, the Huizhou Factory has commenced operation and has received sub-contracting orders from the Group.

Looking forward, the Group will strive to maintain its operation by adapting to new business model through the Huizhou Factory. However, the business environment remains challenging, and there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, the global economy uncertainty, Russia-Ukraine war, the U.S.-China trade dispute, technological advancements in publishing and new forms of information dissemination. The Group was established in Hong Kong in 1992 and had a long established presence in printing industry, and will strive to take advantage of its competitiveness such as adherence to international standards, strong and stable project management skills so as to source orders from overseas customers which can be undertaken by factory in mainland of PRC and outsourcing to Huizhou Factory or other sub-contractors in mainland of PRC for a profit margin, which the Company believes will significantly reduce the Company's fixed overhead costs in order to improve its cashflow.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue decreased by approximately 65.7% from approximately HK$146.2 million for the year ended 31 December 2023, to approximately HK$50.1 million for the year ended 31 December 2024 due to decrease in sales order affected by cessation of operation of Shenzhen Factory and Hong Kong Factory and overall global economy uncertainty.

Cost of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales decreased by approximately 53.3% from approximately HK$111.3 million for the year ended 31 December 2023 to approximately HK$52.0 million for the year ended 31 December 2024 which is in line with the decrease in revenue.

Gross profit/loss and gross profit/loss margin

The Group recorded the gross loss of approximately HK$2.0 million in 2024 and the gross profit of HK$34.9 million in 2023. The gross loss margin was 3.9% in 2024 and gross profit margin was 23.9% in 2023. The decrease in gross profit was primarily due to decrease in sales order as a result of cessation of operation of Shenzhen Factory and Hong Kong Factory and overall global economy uncertainty.

Other income

Other income mainly consists of the foreign exchange gain/loss, the profit arising from sales of paper and scrap materials, rental income, gain on disposal of investment, deposit on acquisition of property, plant and equipment (PPE) written off and income received from government subsidies. The other income decreased by approximately 82.1% from approximately HK$6.7 million for the year ended 31 December 2023 to approximately HK$1.2 million for the year ended 31 December 2024 mainly due to the one-off government grant received in PRC in the year ended 31 December 2023 while no such government grant was received in 2024.

Administrative expenses

Administrative expenses primarily consist of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decreased from approximately HK$50.9 million for the year ended 31 December 2023 approximately to HK$43.1 million for the year ended 31 December 2024 mainly due to decrease in staff salaries.

Management Discussion and Analysis

Finance costs

The Group recorded finance costs of approximately HK$9.8 million during the year ended 31 December 2023 and approximately HK$3.8 million during the year ended 31 December 2024. The decrease was mainly due to the decrease in loan amount.

Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC during the year ended 31 December 2023 and 2024. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The operations in the PRC are subject to an enterprise income tax rate of 25.0%. The Group recorded income tax credit of approximately HK$1.3 million during the year ended 31 December 2024 (year ended 31 December 2023: income tax expense of HK$0.1 million).

Loss for the year

As a result of the foregoing, the year ended 31 December 2024 recorded loss of approximately HK$45.6 million as compared to loss of approximately HK$23.0 million for the year ended 31 December 2023, which was mainly due to decline in customer orders as a result of cessation of operation of Shenzhen Factory and Hong Kong Factory and overall global economy uncertainty.

Liquidity, financial resources and capital structure

As at 31 December 2024, the Group had net current liabilities of approximately HK$134.2 million (as at 31 December 2023: net current liabilities of approximately HK$123.7 million). The Group's current ratio as at 31 December 2024 is 0.14 (as at 31 December 2023: 0.3). The gearing ratio as at 31 December 2024 was 11.0 (as at 31 December 2023: 3.96) which is calculated on the basis of the Group's total bank loans, other loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, other loans, overdrafts and lease liabilities for the Group amounted to approximately HK$108.2 million as at 31 December 2024 (as at 31 December 2023: approximately HK$135.8 million). As at 31 December 2024, bank loans, other loans and overdrafts in the amounts of approximately HK$107.6 million are due within one year.

The Group adopts centralised financing and treasury policies in order to ensure the Group funding is utilised efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Management Discussion and Analysis

Basis for Disclaimer of Opinion related to going concern in the Independent Auditor's Report

As disclosed in note 3.2 to the consolidated financial statements, the Group incurred a loss of approximately HK$45,607,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately HK$134,213,000. As disclosed in note 25 to the consolidated financial statements, the Group had total bank loans and overdrafts of approximately HK$107,580,000, which are repayable on demand or within one year, while the Group had bank and cash balances of approximately HK$849,000 only. As a result of breach of loan covenants, current bank borrowings of approximately HK$96,062,000 as at 31 December 2024 might become due and repayable on demand, and were classified as current borrowings accordingly.

The above conditions, together with other matters set out in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account the plans and measures as set out in note 3.2 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming the plans and measures can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the future outcome of the above plans and measures, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures as detailed in note 3.2 to the consolidated financial statements can be successfully implemented as scheduled.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company as detailed in note 3.2 to the consolidated financial statements, we were unable to obtain the information that we considered necessary for our evaluation of the viability of the plans and measures to the extent that is necessary based on the cash flow forecast due to the unavailability of the information of the assumptions used in the going concern basis.

Due to the limitations on our scope of work as stated above and there are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans and measures can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Management Discussion and Analysis

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of the end of the reporting period.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3.2 to the consolidated financial statements.

Please refer to "Corporate Governance Report – Board's view on Material Uncertainty" for further details.

Foreign currency management

We are exposed to currency risk primarily through our sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi and GBP. We have not entered into or transacted any other financial instruments for hedging purpose during the year ended 31 December 2024. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. Our capital expenditure was funded by internal resources, finance leases and bank borrowings during the year ended 31 December 2024.

The following sets forth our Group's capital expenditure as at the dates indicated:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Property, plant and equipment	**92,166**	132,652
Intangible assets	**–**	181
	92,166	132,833

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

Management Discussion and Analysis

CHARGE ON GROUP ASSETS

As at 31 December 2024, the bank facilities were secured by the Group's investment properties, property, plant and equipment and corporate guarantees from the Company and certain subsidiaries (2023: pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantee from the Company and certain subsidiaries). These bank facilities amounted to HK$107,580,000 (2023: HK$127,634,000) as at 31 December 2024. These facilities were utilised to the extent of HK$107,580,000 (2023: HK$123,227,000) as at 31 December 2024. There was no pledged bank deposit as at 31 December 2023. The pledged bank deposits were released as mutually agreed by the bank and the Group. As at 31 December 2024, the Group's properties with carrying amounts of HK$38,038,000 (2023: HK$41,008,000) were pledged as collateral for the Group's banking facilities. As at 31 December 2024, the Group's investment properties were pledged for the Group's banking facilities.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 13 December 2017 ("**Listing Date**"). Save as disclosed in section headed "Placing and Share Consolidation", there has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

COMMITMENTS

The capital commitments outstanding as at 31 December 2024 not provided for in the financial statements were nil (2023: nil) for purchase of property, plant and equipment.

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Employees and remuneration policy

As at 31 December 2024, the Group had 9 (2023: 397) employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 December 2024 were approximately HK$39.1 million (2023: HK$59.7 million). The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

As disclosed in the announcement of the Company dated 6 May 2024, the Group had disposed of machinery at the total consideration of RMB1,360,000 on 6 May 2024.

The Company entered into agreement dated 9 June 2024 to dispose of Asset in light of the discontinuance of operation of Shenzhen Factory, the details of which is set out in the announcement dated 19 June 2024 which constituted a very substantial disposal.

As disclosed in the announcement of the Company dated 30 September 2024, Great Wall, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement respect of Great Wall's sale of the machinery for total consideration of HKD4,060,000.

As disclosed in the announcement of the Company dated 4 December 2024, the Group had disposed of machinery at the total consideration of HKD1,500,000 on 4 December 2024.

Reference is made to the announcements dated 2 September 2024 and 30 October 2024 in relation to the Company and JV Party establishing JV Company to set up Huizhou Factory. On 30 October 2024, Yellow River (an indirect wholly-owned subsidiary of Company) has entered into the JV Agreement with JV Party pursuant to which the parties agreed the arrangement with respect to the JV Company with a registered capital of RMB5 million which is owned as to 28% by Yellow River (wholly-owned subsidiary of Company) and as to 72% by JV Party.

During 2024 and save as disclosed, the Group does not have any other significant investments, nor any material acquisitions or disposals. As at 31 December 2024 and save as disclosed, the Group does not have any other future plans for any significant investments or capital assets.

DEFAULT OF BANK LOAN

As disclosed in the announcement dated 11 November 2024, the Group is indebted in the amount of approximately HK$98 million ("**Loan A**") to a commercial Bank in Hong Kong ("**Bank A**") by pledge of the Pledged Properties (as defined in the announcement dated 11 November 2024) in favour of Bank A. As the Group was unable to settle Loan A, the Group has delivered vacant possession of the pledged properties to Bank A for sale of such pledged properties to settle Loan A. As at the date of this report, the Group is the registered owner of the Pledged Properties, and has not received any concrete offer to purchase the Pledged Properties.

As disclosed in the announcement dated 25 November 2024, the Group, in the ordinary course of business, obtained banking facilities (the "**Facility B**") from a commercial bank in Hong Kong (the "**Bank B**") with an outstanding amount of approximately HK$11 million. The Company considers that the Company's failure to settle the periodic payment of Loan A owed to Bank A as referenced in the announcement dated 11 November 2024 constitutes a technical cross default which may entitle Bank B to request early repayment of Loan B. As at 31 March 2025, the Company has not received any demand or notice with respect to the technical cross default from Bank B.

Management Discussion and Analysis

TOP-UP PLACING AND SUBSCRIPTION

As disclosed in the announcement dated 20 September 2024, the Company's Top-up Placing and the Subscription took place on 10 September 2024 and 20 September 2024, respectively. A total of 17,390,000 Placing Shares have been successfully placed at the Placing Price of HK$0.125 per Share to no fewer than six independent placees selected and/or procured by or on behalf of the Placing Agent. After completion of the Top-up Placing and the Subscription, the Company's issued shares was 104,388,000. Save as disclosed above, there is no other change to share capital of the Company in 2024.

The net proceeds received by the Company from the Top-up Placing and Subscription, after deducting related placing commission, professional fees and all related expenses, are approximately HK$2.0 million. As disclosed in the announcement dated 9 September 2024, the proceeds are intended to be used as general working capital. As of 31 December 2024, the proceeds have been fully utilized for employee salary payment.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that require disclosure.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil). During the year ended 31 December 2024, there was no arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

Corporate Governance Report

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2024 (the "**Reporting Period**").

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix C1 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2024, except the deviation from CG Code provision C.2.1 set out below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Sam Ming ("**Mr. Lam**") is the chairman and the chief executive officer of the Company. Mr. Lam has over 41 years of experience in the printing industry. Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. The Directors are of the view that it would be in the Group's best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;
- To approve annual budgets covering strategy, financial and business performance, key risks and opportunities;
- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;
- To consider and approve the consolidated financial statements in quarterly, interim reports, annual reports and announcements;
- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- To consider dividend policy and dividend amount; and
- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director liability insurance to cover liabilities arising from legal action against the Directors.

Composition

The composition of the Board as at the date of this report is set out as follows.

Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

Save for the spousal relationship between Mr. Lam and Ms. Yao Yuan, there is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed "Profile of Directors and Senior Management" of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the "**INEDs**") and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of the policy.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the Reporting Period and up to the date of this report, four board meetings were respectively held. The individual attendance record of the Board meetings is set out as follows:

Name of Directors	Number of Board Meetings attended/eligible to attend
Mr. Lam Sam Ming	4/4
Ms. Yao Yuan	4/4
Ms. Chan Sau Po	4/4
Ms. Cheung Yin	4/4
Mr. Wong Hei Chiu	4/4
Mr. Leung Vincent Gar-Gene	4/4

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision C.3.3 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of two years commencing from 13 December 2023 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, all Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision A.2 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the Reporting Period, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the risk management committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The audit committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three members, being Ms. Cheung Yin (Chairman), Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene.

During the Reporting Period and up to the date of this report, four audit committee meetings were held. The individual attendance record of the meetings of the audit committee is set out as follows:

Name of Directors	Number of meetings of the audit committee attended/eligible to attend
Ms. Cheung Yin *(Chairman)*	4/4
Mr. Wong Hei Chiu	4/4
Mr. Leung Vincent Gar-Gene	4/4

During the meeting, the audit committee reviewed (i) the Group's audited consolidated financial statements for the Reporting Period, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; and (iii) the Group's internal control system and risk management functions.

Remuneration Committee

The remuneration committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the remuneration package of individual Director and senior management.

The remuneration committee consists of three members, being Mr. Wong Hei Chiu (Chairman), Ms. Cheung Yin and Mr. Lam Sam Ming.

During the Reporting Period and as at the date of this report, one remuneration committee meeting was held.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Nomination Committee

The nomination committee was established on 31 December 2017 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Lam Sam Ming (Chairman), Mr. Wong Hei Chiu and Ms. Cheung Yin.

During the Reporting Period and as at the date of this report, one nomination committee meeting has been held.

Risk Management Committee

The risk management committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the risk management committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The risk management committee consists of three members, being Mr. Lam Sam Ming (Chairman), Ms. Chan Sau Po and Ms. Yao Yuan.

During the Reporting Period and as at the date of this report, one risk management committee meeting has been held.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

There being no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

During the Reporting Period, the Board reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the Reporting Period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the Reporting Period in this report.

BOARD'S VIEW ON MATERIAL UNCERTAINTY

The Group incurred a loss of approximately HK$45,607,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately HK$134,213,000. The Group had total bank loans and overdrafts of approximately HK$107,580,000, which are repayable on demand or within one year, while the Group had bank and cash balances of approximately HK$849,000 only. As a result of breach of loan covenants, current bank borrowings of approximately HK$96,062,000 as at 31 December 2024 became due and repayable on demand, and were classified as current borrowings accordingly.

The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group with plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the directors of the Company include, but not limited to, the following:

(i) the Group is actively negotiating with the banks for seeking continuous support and not demanding immediate repayment in respect of breach of loan covenants, to improve the financial position of the Group;

(ii) the Group obtained a letter of financial support from the shareholder, Mr. Lam Sam Ming ("Mr. Lam"), that Mr. Lam agreed not to request the Group to repay the amount due to him of approximately of HK$16,859,000 and loan from him of approximately of HK$4,970,000, and provide financial support to the Group so that the Group will be able to meet its liabilities as and when they fall due;

(iii) the Group would seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future expenditure;

(iv) the Group continues to apply measures to tighten cost controls over operating expenses, in order to improve the cash flows position of the Group.

Based on the cash flow forecast assuming the above plans and measures can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the future outcome of the above plans and measures, the directors of the Company are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaking by the management of the Company as detailed above, the auditors were unable to obtain the information that they considered necessary for their evaluation of the viability of the plans and measures to the extent that it necessary based on the cash flow forecast due to the unavailability of the information of the assumptions used in the going concern basis.

Due to the limitations on the scope of work as sated above and there are no alternative audit procedures that the auditors can perform to obtain sufficient appropriate audit evidence to support the above plans and measures ca be successfully implemented, as a result, the auditors were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the above plans and measures as abovementioned, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

To resolve the going concern issues, the Group will continue to undertake the following measures: (1) the Group will closely monitor its operations and implement cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations, (2) the Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, (3) the Group intends to dispose of certain properties, (4) the Group will actively and regularly review its capital structure and source additional capital by raising new debt financing or issuing new shares, where appropriate.

CHANGE OF AUDITOR

CWK CPA Limited ("**CWK**") resigned as the auditor of the Company with effect from 15 November 2024 due to its insufficient resources of appropriate expertise in handling the audit of the Group's consolidated financial statements for the financial year ending 31 December 2024. CWK has confirmed in writing that, save as disclosed above, there are no other matters or circumstances in relation to its resignation that need to be brought to the attention of the shareholders of the Company.

WM CPA Limited has been appointed as the new auditor of the Group with effect from 20 December 2024.

AUDITOR'S REMUNERATION

During the Reporting Period, the Company engaged WM CPA Limited ("**WM**") as the external auditor. The fees in respect of audit services provided by WM for the Reporting Period amounted to approximately HK$708,000. No auditor had been engaged to provide non-audit services.

COMPANY SECRETARY

Mr. Chen Kun, was appointed by the Board as the company secretary of the Company with effect from 31 December 2020. Mr. Chen is a practising solicitor and an external company secretarial service provider. Mr. Chen is not an employee of the Company.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 74 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders in accordance with the Companies Ordinance (Cap 622, Laws of Hong Kong), which provides (1) the members of a company may request the directors to call a general meeting of the company; (2) the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings; (3) a request (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting; and (4) requests may consist of several documents in like form; and (5) a request (a) may be sent to the company in hard copy form or in electronic form; and (b) must be authenticated by the person or persons making it.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedure for shareholders to put forward proposals at shareholders' meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to **rainbow@prosperous-printing.com** for the attention of the Company Secretary.

Corporate Governance Report

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities in accordance with GEM Listing Rules.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (**www.prosperous-printing-group.com.hk**). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

In accordance with the GEM Listing Rules, the Company made available to the Shareholders the options for the Shareholders to elect means of receipt of future Corporate Communications, the details of which are set out in the announcement dated 16 January 2024.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

CONSTITUTIONAL DOCUMENT

During the Reporting Period, there had been no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group's stakeholders, including shareholders, employees and all the business counterparts. The Group strives to provide our employees, being invaluable assets, with a safe and healthy working environment as well as talent training and development. This report covers environmental, social and governance matters of the Group for the year commencing 1 January 2024 to 31 December 2024 ("**FY2024**") with information and comparative figures of the previous year ended 31 December 2023 ("**FY2023**") included for comparison purpose.

As various comparable information and figures for FY2024 are not available after the closedown of the Shenzhen Factory in June 2024, the following discussions will be focusing on the Group's policies on implementation of ESG with FY2023 being the latest complete available information reflecting the Group's effective implementation of ESG policies.

The following report has been prepared for disclosure of material information about the sustainability-related risks and opportunities to which the Group is exposed and expected to affect our business operation, including information about governance, strategy, risk, measurement metrics and targets on the identified aspects. The underlying information and data have been collected by us based on available and supportable information at the reporting date without undue cost or effort for compilation and disclosure. Our report has made references to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board in June 2023.

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States, United Kingdom, Australia and Europe (excluding U.K.). The Group's products comprise mainly books and a variety of other paper-related products. Paper and ink are the principal raw materials. Production activities typically involving information editing, color pantone management, proof reading, printing plates production, offset and digital printing, stitching and binding, quality controls, finished products packaging, warehousing, freight and delivery.

The Group's head office is located in Hong Kong at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong hereinafter referred to as "Hong Kong Office". The principal production facilities handling editing, printing and binding production processes was previously located at 101, 8 Ci Cheng Road, Boan Community, Yuan Shan Road, Longgang District, Shenzhen City, The People's Republic of China ("**PRC**") 中國深圳市龍崗區園山街道保安社區賜昌路8號101, hereinafter referred to as our "Shenzhen Factory" which had been closedown in June 2024. The production facilities of Hong Kong Office were closed in December 2024. The information covered in this report including information from both our Hong Kong Office and Shenzhen Factory.

This environmental, social and governance report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

This report provides information related to the business activities of the production sites directly controlled by the Group. Relevant data and information from our customers or suppliers are not included as such data and information are difficult to verify with available resources and will involve undue costs and efforts.

Environmental, Social and Governance Report

We believe that understanding the views of our stakeholders lays a solid foundation to the long-term growth and success of the Group. We develop multiple channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our sustainability performance and future strategies. To reinforce mutual trust and respect, we are committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, customers, suppliers, business partners, banks, shareholders, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

Facing the keen challenging business environment with significant decrease in customers' orders under low profit margins in FY2024, our Shenzhen Factory had been closedown in June 2024 with the result that information regarding the ESG assessment, including greenhouse gases emissions, discharges into water and land, generation of hazardous and non-hazardous wastes during FY2024 are not available for disclosure. Subsequently in December 2024, the production facilities in the Hong Kong Office were also closedown.

In the meantime, as disclosed in the announcement dated 30 October 2024, the Group entered into a joint venture agreement and invested in an associated printer鈺彩印刷服务(惠州)有限公司operating in Huizhou City, Guangdong Province, PRC that the Group had 28% equity interests ("**Huizhou Factory**"). Huizhou Factory occupied 9,640 square meters production premises and planned to equip with five printing presses, binding, folding and sewing machines for setting up a full fledged printing operation going forward.

1. Environmental Protection Strategy

The Group is environmental conscious and strives to operate its production processes and facilities that maximizing our resources efficiently, improving productivity while minimizing the unfavorable impacts to the environment and community, seeking to contribute to the improvement of ecological environment and our sustainable development. The Group has to ensure that our operations are compliant with all the relevant and applicable environmental rules and regulations.

1.1 Environmental Rules and Regulations

Our printing operations were subject to various environmental rules and regulations, such as, PRC Environmental Protection Law (《中華人民共和國環境保護法》), PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law (《中華人民共和國固體廢物污染環境防治法》), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong). Any non-compliance with the relevant provisions of the laws and regulations would be subject to penalties and fines by the authorities and might cause disruption to our normal production activities.

Our Shenzhen Factory was endorsed in conformity with:

– Environmental Management System Standard: GB/T24001-2016/ISO 14001:2015 for the Printing of Packaging and Decoration Printed Matter and Related Management Activities since February 2019;

– Quality Management System Certificate in conformity with Quality Management Standard GB/T19001-2046/ISO9001:2015 since February 2019;

– ICTI Ethical Toy Program Seal of Compliance confirming compliance with the requirements of the ICTI Ethical Toy Program since 2022;

– FSC™ Chain-of-Custody Certificate meeting the standards of: FSC-STD-40-004 V3-1 Chain of Custody Certification, FSC-STD-40-003 V2-1 Chain of Custody Certification of Multiple Sites, FSC-STD-50-001 Requirements for use of the FSC trademarks by Certificate Holders since September 2007.

Although the production activities in Shenzhen Factory and Hong Kong Office had closedown, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gases ("**GHG**") emissions, discharges into water and land, generation of hazardous and non-hazardous wastes during FY2024. GHG as defined in the Kyoto Protocol comprised of seven greenhouse gases: carbon dioxide (CO^2); methane (CH^4); nitrous oxide (N^2O); hydrofluorocarbons (HFC^S); nitrogen trifluoride (NF^3); perfluorocarbons (PFC^S) and sulphur hexafluoride (SF^6).

1.2 Green Production Objective

During production, the Group had to measure, monitor and control the level of emissions of exhaust gases, GHG and generation of hazardous wastes and to look for possible improvements for reducing the level of emissions and wastes generated from production.

Reducing the level of GHG emission and hazardous wastes will help to contribute to a cleaner environment and reduce the cause of severe weather. Recycling of useful wastes will not only reduce the quantity of dumping wastes, but will also generate other income and without polluting the environment.

The Group's Shenzhen Factory had been granted a 5-year Waste Disposal Licence (《排污許可證》) by the Shenzhen Environmental Protection Department Longguan Office(深圳市生態環境局龍崗管理局)approving our internal control system for monitoring the emissions of waste water and exhaust gases during production and in compliance with the prescribed standards required for the printing industry. We had conducted measurements on the GHG emissions annually and recorded the treatment of wastes as discussed below.

1.2.1 Emissions Measurements

For GHG emissions, the IFRS S2 had defined:

- Scope 1 emissions as direct GHG emissions from sources that are owned or controlled by an entity ("**Scope 1**");

- Scope 2 emissions as indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity ("**Scope 2**");

- Scope 3 emissions as indirect GHG emissions that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 GHG emissions include the Scope 3 Categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) which described 15 categories, including: purchased goods and services, upstream and downstream transportation and distribution, waste generated in operations, business travel, employee commuting, capital goods that are relevant to our business operation ("**Scope 3**").

The Group's emission of exhaust and GHG gases was primarily under Scope 2 from purchased electricity and fuel used in production, factories and offices. There were other indirect emissions generated, for example, purchased paper, purchased printing plates, paper waste and business travelling under Scope 3.

During the offset printing process, chemically tainted water was released through washing of the printing plates in the prepress production and the cleaning of ink rollers from the printing presses. In the ink application process, there were certain Volatile Organic Compounds ("**VOC**") emissions such as benzene, toluene and p-xylene. Though the emissions were considered insignificant, our Shenzhen Factory installed environmental air filters to minimize the VOC emission. Effluent was generated in our business operation mainly for cleaning, personal consumption of employees and usage in staff quarters.

The Group had engaged external qualified testing companies for collecting and analyzing the emissions of exhaust and GHG gases, effluent discharged from our Shenzhen Factory, where the Group's main production facilities were located. The testing basis and samples collection procedures were conducted according to the prevailing regulations and procedures.

Direct emissions of GHG were from production, usage of motor and electrical vehicles, indirect emission was due to electricity consumption.

GHG emission	FY2024 tCO_2e	FY2023 tCO_2e
Direct – Scope 1	N/A	21.20
Indirect – Scope 2	N/A	6,027.10
Total	N/A	6,048.30
Total production output in ton	N/A	6,974.17

tCO_2e: Per ton of equivalent carbon dioxide emission
N/A: Data not available

Testing results of the GHG emission of our factory confirmed full compliance with the required environmental and safety standards in Shenzhen City. The emissions under Scope 3 had not been provided as such data and information could not be obtained with our available resources.

The following average testing results on the exhaust gases emitted collected on three different dates from our Shenzhen Factory in FY2023 also confirmed that the density of harmful content such as benzene, toluene, p-xylene and other VOC had been in full compliance with the required environmental and safety standards in Shenzhen City.

	FY2024 Density (mg/m^3)	FY2023 Density (mg/m^3)
Benzene 苯	N/A	0
Toluene 甲苯	N/A	0
P-Xylene 二甲苯	N/A	0
Non-methane hydrocarbon 非甲烷總烴	N/A	1.890
Other VOC	N/A	1.1073

N/A: Data not available

The contents of the effluent generated from our Shenzhen Factory had been collected during FY2023 for testing with the results confirmed that we were in full compliance with the required environmental and safety standards in Shenzhen City as indicated below.

Testing results	FY2024	FY2023
pH value	N/A	7.2275
Suspended matter, mg/L	N/A	0
Chemical oxygen demand, mg/L	N/A	17.75
Biochemical oxygen demand 5 days, mg/L	N/A	6.175
Ammonia nitrogen, mg/L	N/A	0.4155
Total phosphorus, mg/L	N/A	0.0925
Chromaticity, times	N/A	2

The above testing results were published in the Shenzhen factory's website for public inspection regarding environmental protection information disclosure (環境信息公開表).

1.2.2 Materials Recycling

The Group aims to optimize the use of materials resources throughout the production process and increasing the recycling use of materials for minimizing wastage. In FY2024, total paper materials purchased were HKD8.0 million decreased by 77.2% from HKD35.13 million in FY2023 mainly due to significantly decrease in sales orders for production requirement with the subsequent closedown of Shenzhen Factory.

To reduce the level of wastes, papers used in the offices were to be printed and written on both sides, documents recorded in soft copy format that facilitate transmission through email was encouraged for reducing the usage of papers.

In order to enhance the efficiency and tidiness for our collection of scrap paper materials from production, we had set up centralized mechanical equipment for compression and bundling of scrap papers in our Shenzhen Factory and Hong Kong Office for expediting the process and increase the recycling rate. Other recyclable materials such as carton box, used printing plates and waste metals were separately identified and recycled. We were working closely with our printing ink suppliers by returning their plastic ink containers for reuse and reduce wastage.

The collection of waste materials in our Shenzhen Factory during FY2023 was as follows:

	FY2024	FY2023	Change	
(in kg)	Quantity	Quantity	Quantity	%
Scrap papers	N/A	1,635,000	N/A	N/A
Used printing plates	N/A	86,000	N/A	N/A
Sub-total and recycled	N/A	1,721,000	N/A	N/A
Hazardous wastes	N/A	4,050	N/A	N/A
Total	N/A	1,725,050	N/A	N/A

All scrap papers and used printing plates were recycled and had been disposed to authorized collectors handling recycle of the materials which could generate other income from the disposal and more importantly, recycling could reduce the overall volume of wastes and if the used printing plates were not properly recycled that could generate hazardous substance endanger the environment. Although the comparative figures for FY2024 was not available, in FY2023 except for the hazardous wastes, a total of 1,721 ton of waste materials, decreased by 23.20% from the previous year had been recycled, representing a 99.77% of the waste materials being recycled.

For the protection of our customers' intellectual property rights, all the scrap printed papers and books were shredded before being recycled. For the printing plates, those had been left idle for at least 60 days for oxidation before sending to waste collector for recycling.

The wooden pallets used during transportation and delivery of goods had also been recycled and returned for usage and increased to 719 pieces in FY2023 mainly due to reduced subcontracting work when wooden pallets were used during transportation.

During FY2023, the total amount of hazardous wastes generated from our production was equivalent to 0.06% per kg unit of production with the volume being controlled at a very low level. The non-hazardous wastes generated by the Group during FY2023 that were recycled equivalent to 24.68% per ton unit of production.

1.2.3 Hazardous Waste Management

For the disposal of hazardous wastes generated from production, we strictly followed the PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law and engaged independent authorized waste collector for disposal of the hazardous wastes. Our administration department maintained proper records on the amounts of hazardous wastes disposed each year for internal control assessment.

Our employees were required to comply with the following practices and procedures for the proper handling of hazardous wastes:

- Employees who were required to handle hazardous waste must attended the required training before assigned to their positions
- Clear instructions and protective equipment were provided to employees handling the wastes
- Hazardous wastes were stored in rigid containers to avoid spillage and at designated storage area

During FY2023, a total of 4.05 ton of hazardous wastes was produced and decreased by 30.30% from the previous year with the majority of the hazardous waste attributable to the residues generated from treatment of sewage water. Hazardous wastes endanger our environment that we endeavored to reduce to the minimum during our production.

1.2.4 Shipment of Products

The Group encourages our customers to consolidate the shipment volumes and orders if applicable for reducing the numbers of individual shipment that can minimize the times of sea voyages with the resultant decrease in fuel consumption by ocean carriers and the GHG emissions to the environment. The Group was using recyclable pallets for loading products to containers, the pallets could later be reused by our customers and reduce wastage.

1.2.5 Environmental Monitoring Costs

The Group had incurred recurrent operating costs for monitoring and management of our internal control system on environmental protection, including engagement of qualified companies to conduct testing on the emissions of exhaust gases and effluent during production processes to ensure that we were in full compliance with all the environmental and safety laws and regulations.

With our commitment to environmental protection, in FY2023, total direct costs incurred on environmental protection in the treatment of effluent, different types of testing, repairs and maintenance costs incurred on the treatment facilities for exhaust gas and effluent in the factory premises, increased by 5.31% to HKD692,628 mainly attributable to the higher testing costs charged by external professional service provider for the exhaust gases emission during printing production in our Shenzhen Factory. The engagement of professional testing companies conducting the testing allowed us to evaluate the quantity and quality of our exhaust gases and effluent generated if they were in compliance with the statutory requirements and as controls to identify if any defects had occurred in our facilities without our prior knowledge.

1.2.6 Management Approach for FY2025

(i) The relevant information adopted by the Group in the various ESG aspects to be advised to the Huizhou Factory and subcontractors and assist them for their implementation, including:

- To monitor and control GHG emission per unit of production output in full compliance with the laws and regulations
- To reduce the generation of wastes during operations
- To recycle materials to minimize waste and conserve resources
- To promote the use of digital format data in communication for saving printing
- To monitor the collection of scrap paper materials for recycling

1.3 High Performance Production Objective

The Group was to achieve high performance production using the necessary materials and avoid using excessive resources causing wastage and environmental unfriendly.

1.3.1 Monitoring Resources Usage

The principal raw material used for production was paper and close monitoring on paper usage in relation to our level of production was important to ensure no excessive usage.

The Group's usage of paper, printing plate, ink, electricity and water during FY2024 and FY2023 were as follows:

	FY2024 Amount (HKD)	FY2023 Amount (HKD)	**Change Amount (HKD)**	**%**
Paper	**8,003,386**	35,133,739	**(27,130,353)**	(77.22)
Printing plate	**N/A**	2,861,282	**N/A**	N/A
Printing ink	**N/A**	1,295,019	**N/A**	N/A
Electricity & water charges	**2,222,455**	6,547,927	**(4,325,472)**	(66.05)
Total production output in (kg)	**N/A**	6,974,168	**N/A**	N/A
Average number of employees	**N/A**	423	**N/A**	N/A

The cost of paper decreased significantly by 77.22% from HKD35.13 million to HKD8 million in FY2024 mainly due to closedown of Shenzhen Factory in June 2024. The Group had been maintaining a conservative inventory management policy on procurement with a calculated level of buffer stock based on projected production orders. Both printing plate and printing ink expenses decreased in FY2024 due to decrease in production requirements.

1.3.2 Production Management

We had been implementing production automation and efficient production management to maximize our resources efficiency and improve our productivity without compromising the quality of our product. Our Shenzhen Factory was certified with Recognition of Excellence as a G7 Master Qualified Facility, conformity with Quality Management System Standard ISO9001: 2015 and also certified as Master Facility Colorspace that our quality on printing and the production facility satisfied globe recognized industry standard. In FY2023, our average production output per employee was 16,487 kg decreased by 10.46% from the previous year mainly due to decrease in production orders that our capacity had not been fully utilized. Subcontracting charges of the Group decreased by 41.58% from HKD8,741,124 in FY2023 to HKD5,106,728 in FY2024 mainly due to closedown of Shenzhen Factory and decrease in production orders.

1.3.3 Production Automation

We were using our self-developed direct refill system for siphoning ink directly from centralized tanks to the individual printing press. This automatic refill system ensured the continuous supply of ink to the printing presses without stoppage, thus enhancing production efficiency and at the same time, overcame the wastage of ink and time when compared with manually transferred ink from containers to the individual printing presses.

The Group's computer-to-plate (CTP) machinery and systems had eliminated the requirement for the production of ozalids that saved the usage of special papers and chemicals for producing the ozalids and also reduced wastes. The blueprints of books and paper products could be produced efficiently by the CTP system upon receiving the digital information from customers for download directly that had increased accuracy, shortened lead-time for checking and turnaround the output to customers for final approval.

1.3.4 Use of Water and Electricity

The Group was committed to conserving the use of water as a valuable natural resource. We only used water supplied from municipal sources in our Shenzhen Factory and did not have any on-site wells. Although water was not directly utilized for production, the Group had engaged external qualified testing companies to conduct testing on the effluent collected from our Shenzhen Factory to ensure our compliance with the required environmental and safety standards.

Effluent was mainly generated from cleaning and the employees' living activities in Shenzhen Factory. Effluent was collected in a tank for purification treatment before being channeled for flushing the washrooms. We had put up notices at the eye-catching areas to increase the awareness of our employees on conserving water.

Electricity was principally used for operating the Group's plant and machinery for production. Except for the machinery slow down downtime, all the supervisors of production departments were instructed to switch off the plant and machinery when not in use for energy saving.

The Group had been using more energy efficient LED lightings for energy savings and notices had been placed at the entrance areas for reminding employees to switch off all lightings, air-conditioning system and electrical appliances during lunch break and after office hour before leaving for energy saving. We had been using more telephone and video conferencing for conducting meetings between Hong Kong Office and Shenzhen Factory and with customers for saving the travelling and time required, making contribution to environmental saving on GHG emissions.

Total electricity and water expenses decreased by 66.05% from HKD6.55 million in FY2023 to HKD2.22 million in FY2024 mainly due to the closedown of the Shenzhen Factory.

1.3.5 Management Approach for FY2025

(i) Monitor electricity usage of the Hong Kong Office.

- To maintain the electricity usage commensurate with the level of business activities

1.4 Environmentally Friendly Materials Objective

The Group aims to apply more environmentally friendly materials in our products and reducing the usage of materials that are very difficult to recycle.

1.4.1 Paper

We encourage our customers to use papers coming from sustainable forestry with Forest Stewardship Council "FSC" label endorsement that are environmentally friendly. We had obtained the FSC Chain-of Custody certification for our usage of the FSC label on our products when certain criteria were met. Product with FSC label affixed provided confirmation to our customer and the end consumer that the product was originated from well-managed forests, controlled sources, reclaimed materials or a mixture of these from sustainable materials. Although the FSC papers are cost sensitive, we would continue to encourage our customers to use FSC papers when the opportunity arises.

1.4.2 Soybean Oil Based Ink

We were using soybean oil-based ink purchased from qualified suppliers for usage in our printing presses for all production. Compared to the traditional solvent base ink, the soybean oil-based ink was environmentally friendly that substantially reduces the emission of VOC to the atmosphere both in the product itself and during production, which also improved the air quality at our workplace. The soybean ink offered an alternative choice to customers who were looking for environmentally friendly material in their printing products.

1.4.3 Plastic Materials

With the growing general awareness of the difficulty in recycling plastic materials, we were encouraging our employees to reduce the usage of single use plastic items during production and daily activities, such as plastic holders, containers, utensils, cups, bags, etc. Plastic film had been used in the bulk packaging of finished products when loading on pallets and we continued looking for alternative materials and method for replacing the plastic film.

1.4.4 Management Approach for FY2025

(i) Usage of environmentally friendly materials in our products when applicable and to encourage our customers and subcontractors to be environmentally friendly and give more consideration on using sustainable resources.

- To continue looking for environmentally friendly material for replacing the current plastic film for bulk packaging of finished products when loading on pallets

- To encourage our customers to use papers with FSC label in their products

2. Employment Strategy

The Group is to maintain good relationship with employees who are valuable assets, encouraging the employees for personal development with new skills and knowledge, providing the employees with a safe and pleasant working environment. Good relationship with the employees can foster their job satisfaction, encourage increasing productivity and with a lower turnover rate.

With the closedown of the Shenzhen Factory in June 2024 and the cessation of the production facilities in December 2024 of the Hong Kong Office, where most of our employees had been engaged, the number of employees had reduced significantly during FY2024 inadvertently.

The demographics of the Group's employees at the year-end date of FY2024 when compared with FY2023 are as follows:

	FY2024	FY2023	**Changes**	
	Number	Number	**Number**	**%**
Number of employees at year end –	**9**	397	**(388)**	(97.73)
– Male	**4**	248	**(244)**	(98.39)
– Female	**5**	145	**(140)**	(96.55)
Average number of employees during the year	**N/A**	423	**N/A**	N/A
Employees working for –				
– Over 5 years	**9**	349	**(340)**	(97.42)

2.1 *Competitive Remuneration Objective*

The Group considers offering competitive remuneration package is necessary for the attraction and retention of employees.

2.1.1 Compensation and Benefits

All the employees of the Group are required to enter into employment contracts when enrollment for clearly stating out the terms and conditions, salaries and allowances, benefits and job duties of the employees. A copy of the employee handbook was also provided to each employee in the Shenzhen Factory when he first joined.

The Group complied with all the Labour Law of the PRC and Hong Kong, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and Employment Ordinance in Hong Kong together with other relevant laws and regulations.

We provided social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in PRC according to PRC Social Insurance Law and MPF according to the Mandatory Provident Scheme Ordinance in Hong Kong for attracting employees to join our Group.

The Group also offered for employees in Hong Kong with four to ten years of continuous service, the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees made additional voluntary contributions to the MPF Scheme at the same time, subject to the maximum limit of 10%. Additionally, the Group had arranged with a medical service provider in Hong Kong offering those employees who had completed three years of employment for personal health check programs at special discounted rates as additional incentives to stay.

The Group adopts a daily 8-hour working system and voluntary overtime. Overtime is limited to be within statutory limit to protect employees' health and their human rights. In addition, the Group prohibited employee to work on a technical task before the relevant employee had received adequate training equipped with the required skills for safeguarding employees' safety that were the duties of a responsible employer for the employees.

Upon the closedown of the Shenzhen Factory in June 2024 and for the immediate settlement of the salaries and retirement benefits payable to the employees, the Group had shortly entered into an agreement, with the employees being a party, for the disposal of all the major assets of the Shenzhen Factory, comprised mainly of plant and machinery, materials to an independent third party on 9 June 2024 for a total consideration of RMB20,680,000. The proceeds had been utilized for the following settlement –

	RMB
Wages and salaries	3,705,669
Social security provident fund	2,557,853
Housing provident fund	4,443,015
One-off handicap employment assistance fund	984,964
Economic compensation (including severance payments)	8,030,387
Taxes and miscellaneous expenses	958,112
Total	20,680,000

The above disposal of assets as advised by the PRC legal advisor was in compliance with the PRC laws and regulations as all the proceeds from the disposal had been used for settlement of employees' salaries, social security and housing provident funds and economic compensation for the employees that payment of employees' remuneration being our top priority for the appropriation of funds.

Although the total sale proceeds from the disposal of assets could not fully settled all the employees' compensation requirement, the Group had already exercised its best endeavors for mitigating the unavoidable distress caused to the 325 employees upon the closedown of Shenzhen Factory.

Excluding the directors' remuneration, the total employees' costs incurred by the Group for FY2024 when compared with FY2023 are as follows:

	FY2024 Amount ('000)	FY2023 Amount ('000)	Changes Amount ('000)	Changes %
Salaries and allowances	**37,094**	53,899	**(16,805)**	(31.17)
Social, retirement & housing benefits	**2,467**	5,765	**(3,298)**	(57.21)
Total	**39,561**	59,664	**(20,103)**	(39.16)

Total salaries and allowances paid to employees decreased by 31.17% from HKD53.90 million in FY2023 to HKD37.10 million in FY2024 mainly as a result of closedown of Shenzhen Factory. Social and retirement benefits payment decreased by 57.21% from HKD5.77 million to HKD2.47 million due to the retirement benefits were computed based on employees' basic salaries.

2.1.2 Employees Turnover

Majority of the Group's employees was working in the Shenzhen Factory and due to the closedown of the Shenzhen Factory and the production facilities of the Hong Kong Office, majority of our employees had been made redundant.

Excluding the three executive directors, the number of employees had been decreased to 6 at the end of FY2024.

Number of employees who resigned in FY2023 and FY2024:

	FY2024	FY2023	Changes	%
Less than 2 years of employment	**N/A**	30	**N/A**	N/A
Employees with over 2 years of employment	**N/A**	52	**N/A**	N/A
Total employees resigned	**N/A**	82	**N/A**	

N/A: Data not available

2.1.3 Employee Communication

Open communication is an important element in achieving effective workplace management. Proper communication with the employees is very important for the employees to understand the business strategies and future development of the Group.

We encourage employees to voice their opinions through various communication channels at all levels. We provided suggestion boxes, website, internal newsletters and communication meetings where employees can express their concerns and suggestions.

The Group encourages the employees to discuss any issues and problems they identified directly with their supervisors. The Group has the whistle-blowing policy whereby an employee can inform the Chairman of the Audit Committee of the Group being an independent non-executive director of any suspected wrong doings and other irregularities that they have identified.

No dispute with employee was recorded and the Chairman of the Audit Committee did not receive any request for help during FY2024.

2.1.4 Management Approach for FY2025

(i) Strengthen the good relationship with employees through various communication channels and support:

- To maintain a core team of dedicated employees handling the business operation
- To encourage open communications for employees to give their opinions
- To compensate employees with plans that can improve the Group's performance

2.2 *Personal Development and Advancement Objective*

The Group considers personal development of employee is important for future advancement in career. Learning of new skills and knowledge is necessary for equipping the employee to handle additional job duties not only in his own specialty area, but also in different duty and supervisory function.

2.2.1 Training programs

The Group encourages our employees to develop and advance their careers. Each new employee of our Shenzhen Factory was required to attend training on employees' regulations, fire prevention and safety, additional training would be provided for those handling safety information and precautions on their daily job duties.

We had provided internal trainings on industrial safety, fire drill and precautions for the employees of our Shenzhen Factory staying alert of fire accident and the closest passages for evacuation in case of emergency. Our employees had also participated in training courses on quality control, handling leakage of hazardous chemicals, first aid training and alerts to frauds.

	FY2024		FY2023	
	Person-times	**Total training hours**	Person-times	Total training hours
Orientation programs	**N/A**	**N/A**	164	164
Fire and chemical leakage drills	**N/A**	**N/A**	1,558	1,558
On-the-job trainings	**N/A**	**N/A**	305	305
Outside trainings	**N/A**	**N/A**	760	760
Safety on job resumption	**N/A**	**N/A**	779	779
Total	**N/A**	**N/A**	3,566	3,566

The information on the total number of times employees participated in the training courses during FY2024 is not available upon the closedown of the Shenzhen Factory that documents could not be retrieved from the factory premises.

2.2.2 Management Approach for FY2025

(i) Foster a continuous learning environment and encourage employees to develop and advance employees' careers in the Group:

- To meet the training needs of employees, provide training courses for new information and career development

2.3 *Respect of Labor and Human Rights Objective*

The Group is committed to respect the labor and human rights of all our employees through the following principles as stated in our human resources management policies:

Freely Chosen Employment – We do not use forced or prison labor. We ensure that the terms of employment are voluntary. Our employees work at the Group of their own free will and are free to resign upon giving reasonable notice under the employment contract. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment.

No Child Labor – We comply with all appropriate local and international regulations in relation to the restrictions on the employment of child labor.

Freedom of Association – We allow our employees have the freedom of association to join any organizations or professional bodies of their own choices.

Anti-slavery – We are committed to respect and treat our employees with dignity. We do not tolerate any forced labor and we do not accept any physical and financial punishment for employee wrongdoing.

Benefits and Wages – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements. We maintain proper communication with our employees and understand their needs and conduct regular communication meetings to have direct dialogs with our employees.

Overtime policy – Overtime is voluntary and employees are compensated for overtime in accordance with the laws.

Equal Opportunity and No Discrimination Policy – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job-related factors. Remuneration is determined with reference to performance, qualifications and experience.

Harassment and Abuse – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

Any issues or enquiries raised by our employees through different communication channels will be handled and investigated promptly and confidentially by the Human Resources Department, followed by disciplinary measures if necessary.

No case of misconduct was reported during FY2024 and we are committed to upholding the professional ethical conduct and the highest level of integrity of our employees.

2.3.1 Management Approach for FY2025

(i) Respect the labor and human rights of all the employees with clearly defined human resources management policies.

2.4 Healthy Workplace for Employees Objective

The Group aims to provide a pleasant, supportive and healthy workplace for our employees, and to foster a caring working environment. We recognized that having a motivated workforce is important in the Group's efficient operations.

2.4.1 Implementation of Health Precautionary Measures

During FY2024, our Shenzhen Factory continued the implementation of restricted access management procedure that security guards were responsible checking and ensuing all persons who entered the Shenzhen Factory were required (i) to confirm in writing whether recent visits had been made to highly infectious provinces or cities in PRC or overseas, (ii) to measure the body temperature, and (iii) to apply alcohol disinfectant to clean hands that all procedures were satisfied before the person could gain entrance.

Other precautionary measures such as regular cleaning and sanitizing procedures in the office and factory premises, prescribed usage of surgical masks, gloves, disinfectants, cleaning materials provided by the Group were also applicable. Employees were reminded of the importance of maintaining personal hygiene and physical health to enhance their personal immunity system against illness.

2.4.2 Compliance with Safety Standards

Our Shenzhen Factory was certified with Work Safety Standardization by the State Administration of Work Safety in PRC confirming that our facilities operated with the required standards on social responsibility, health and safety. According to the requirements of our customers for additional certification, our Shenzhen Factory was also certified with ICTI Ethical Toy Program, Disney's Facility and Merchandise Authorization endorsement that validated our compliance with local laws with high quality working conditions.

	FY2024	FY2023
Numbers of injuries and accidents reported	**0**	20
Loss of working days	**0**	185
Fatality case	**0**	0

2.4.3 Safety Training and Leisure Activities

Maintaining an accident-free workplace environment is always a challenge. Our Human Resources Department had established health and safety training programs to increase the awareness of workplace safety.

2.4.4 Management Approach for FY2025

(i) Provide a supportive, pleasant and healthy workplace for the employees and foster a caring working environment:

- To provide health and safety training courses if applicable for employees and reminding them the importance of safety

3. Supply Chain Management Strategy

A well-established supply chain management is necessary to manage the selection of approved suppliers with quality materials and a system to continue monitoring the performance of suppliers is crucial for the Group's sustainable operations.

3.1 Reliable Suppliers Objective

The Group's supply chain management system is for selection of reliable and qualified suppliers to work with the Group for providing quality and timely supply of materials for production requirements and finished products on an on-going basis.

We aim at building long-term relationships with our suppliers based on mutual trust that all purchases must be under a fair, objective and professional manner. Our procurement is based upon criteria that not only price, quality, delivery capacity are important, but also integrity, social and environmental responsibility to ensure sustainability.

3.1.1 Associated Supplier and Subcontractors

The Huizhou Factory is acting as the Group's principal production base in PRC handling sales orders. Additionally, the Group has enhanced the working relationship with the principal subcontractors in PRC with product quality standards that can satisfy our customers' requirements for handling our production requirements. Given the cordial relationships, the Group received positive mutual supports from all the principal subcontractors. These subcontractors are located in nearby cities in Guangdong Province where the time required for our product inspection will be manageable and offer efficient production and delivery lead time.

Amidst the challenging business environment and the trade tariffs imposed on products manufactured in PRC, the Group considered the mutual supports received from the Huizhou Factory and PRC subcontractors could cover our production requirements in the coming year.

3.1.2 Monitoring and Assessment

We shall conduct on-site testing on Huizhou Factory and the subcontractors and examinations at an early stage of production process to identify any possible production issues and to discuss with the subcontractors for corrective actions in a timely manner.

We are to set up regular performance assessments on the subcontractors for continuing meeting our selection criteria and to ensure that any unfavorable issues on the supply of finished goods to the customers can be identified earlier to mitigate the potential risks that could affect the delivery and product quality.

3.1.3 Management Approach for FY2025

(i) The Group will pass on the experiences and knowledge with production information and required quality standards to Huizhou Factory and the subcontractors for their compliance, and to assist their obtaining the required licenses issued by the PRC authorities for the printing production, such as:

- Environmental rules and regulations standards
- Air and greenhouse gas emissions compliance
- Hazardous and non-hazardous waste disposals
- Engagement of qualified external testing companies for collecting and analyzing the emissions of exhaust and greenhouse gases, effluent discharged applicable to the relevant city in PRC.

4. Product Responsibility Strategy

We should be a responsible producer of products that comply with all the necessary quality and safety standards for final consumption by consumers without any concern for hazardous substance and defective.

4.1 Quality Product Objective

From initial design to final production, we discuss with our subcontractors regarding product safety, quality control and testing procedures to ensure the products should meet the customers' required standards on design and material usage and comply with the necessary quality and safety standards before shipment.

4.1.1 Product Safety

All our products follow strict specifications on banned and restricted substances on the ink, paper, glue, and plastic film materials used in production and properly understood by Huizhou Factory and the subcontractors. Our products sold in the United States and Europe are in compliance with the required safety standards, such as RoHS (Restriction of Hazardous Substances) Directive, EN (European Standards), SVHC (Substances of Very High Concern) under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation, ASTM (American Society for Testing and Materials) Standards.

4.1.2 Quality Control and Testing Procedures

We have advised the Huizhou Factory and our subcontractors for the implementation of stringent quality control system, from materials, components, machines and equipment, and the final products to ensure that the use of all materials and production processes are compliant with both international and local standards and requirements.

Under the quality management system, quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against the required technical specifications. Colours are matched against the customers' approved blue print. Finished goods are to undergo a number of tests and visual inspections, before packaging and delivery to ensure the exact customers' specifications are met.

We have maintained a professional customer services team to ensure responsiveness to customers' needs. By implementing the highest level of standard on quality management, we provide not only excellent products with services, but also safe and secured products to our customers.

4.1.3 Management Approach for FY2025

(i) Continue to ensure that all products produced by Huizhou Factory and the subcontractors are compliant with the international quality and safety standards

- To enhance the Group's quality control team for conducting frequent on-site inspections on the subcontractors

- To ensure zero product recalls, fines or penalties relating to non-compliance with regulations

5. Anti-Corruption

We are committed to establish and maintain an ethical culture that honesty and integrity are the basic attributes of all our employees as frauds and dishonesty can distort the usual honest business practices resulting in exposure to very high risks on non-compliance with laws and higher costs that can endanger the business operation of the Group that we should prevent any frauds that could happen in all our business activities. We shall uphold the high standard of honesty and integrity for the interests of all our stakeholders, including our employees, suppliers and customers that we are fair in all our business activities both internally and externally for gaining trust from all of our stakeholders and maintain the fine business relationships with our business counterparts.

Amongst all the internal rules and regulations for anti-corruption, all the employees, including the directors, are forbidden from receiving benefits, interests from others that can possibly create conflicts of interests when they are exercising their job duties. All the employees who are looking for part-time jobs must first obtain prior approval for ensuring there are no conflicts of interests.

All of our employees are free to report any suspected fraud or corruption activities to top management and the Group has the whistle-blowing policy allowing the reporting directly to the Chairman of the Audit Committee being Independent Non-executive Director for taking further investigations and necessary actions on allegations for protecting the overall interests of the Group. Our internal control policy has specified control procedures for conducting the investigation and no reprisals shall be made against the employee reporting the suspected case.

The Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. There was no case received by the Group during FY2024 and also FY2023 for reporting any suspected fraud and corruption activities that reflect the proper and fair conduct of the Group's business and operating activities.

6. Community Investment

The Group has an obligation to offer community investment as being part of the local community where the Group's operations are located and we strive to operate as a responsible corporate citizen and continually support the economic and social vitality of local communities.

During FY2024, the Group had been occupied for tackling the keen challenging environment for securing sales orders, internal restructuring, closedown of Shenzhen Factory and the production facilities in Hong Kong, financing for the business operation that not enough attention had been directed in this aspect. The Group would endeavor participating in community services when the opportunity arises going forward.

7. Closing remarks

It had been a very difficult decision made by the Board for the closedown of the Group's printing production both in PRC and Hong Kong due to the current keen challenging environment for getting the resulting opportunity that the Group can continue to go forward. As a responsible corporate citizen, we shall continue to make efforts contributing to the well being on environmental protection and social responsibility in the Group's overall business strategies and activities, taking into consideration to add value for our stakeholders and to also care for the communities. The Group has embarked on new business strategy that the ESG issues applicable to the previous production activities controlled by the Group to become our responsibilities for advising the associated factory and the PRC subcontractors their importance. The Board shall continue to uphold the proper implementation of the Group's ESG Policy and looking forward to success in the new page.

DIRECTORS' REPORT

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 December 2024 (the "**Reporting Period**").

LISTING ON GEM

The Company was incorporated as a limited liability company in Hong Kong on 23 December 1992.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The shares of the Company (the "**Shares**") were listed on the GEM on 13 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group's products comprise mainly books and other paper-related products. The Group and JV Party established JV Company to operate Huizhou Factory.

For the development, performance or position of the Group's business, details are set out in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in Note 31 to the consolidated financial statements in this report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the Reporting Period, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are presented in the consolidated statement of profit or loss and other comprehensive income of this report.

The Board does not recommend the payment of a final dividend for the Reporting Period.

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 December 2020, 2021, 2022, 2023 and 2024 are set out in this report.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the Reporting Period are set out in Note 34 to the consolidated financial statements in this report comprising (i) directors and senior management remuneration; and (ii) a partnership ("**Partnership**") in which Mr. Lam and Ms. Yao hold interest, has granted to the Company an exclusive right ("**Licences' Usage Right**") to use the vehicles licences free of change, while our Company has granted to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, a non-exclusive licence to use the names "Prosperous" or "萬里" (whether used individually or together) for the Partnership (the "**Names' Usage Right**"). Our Directors (including our independent non-executive Directors) are of the view that the transactions are on normal commercial terms or better:

- the granting to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, the Names' Usage Right for the sole purpose of holding the Vehicle Licences in return for the granting to our Company Licences' Usage Right is part and parcel of the reciprocal arrangement contemplated;

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership agreed to grant to our Group the Licences' Usage Right without charging any fee and only in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names' Usage Right; and

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names "Prosperous" or "萬里" or other similar names except for holding the Vehicle Licences.

For details, please refer to the section headed "Connected Transactions – Exempt Continuing Connected Transactions" in the Prospectus.

All these transactions are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

DISCLOSURE UNDER RULE 17.21 AND RULE 17.23 OF THE GEM LISTING RULES

At 31 December 2024, in respect of bank loans with carrying amount of HK$96,062,000 (2023: HK$100,844,000) secured by the investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries (2023: pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries), the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the Group at the agreed level. On discovery of the breach, the directors of the Company informed the bank and commenced a re-negotiation of the terms of the loans with the banker to revise the financial covenant clause. Since the Bank has renewed the facility in October 2023, the directors of the Company consider the breach of the covenant would not trigger immediate demand for repayment from the Bank. Further details of the Group's management of liquidity risk are set out in Note 31(b) to the consolidated financial statements in this report.

As disclosed in the announcement dated 11 November 2024, the Group is indebted in the amount of approximately HK$98 million ("**Loan A**") to a commercial Bank in Hong Kong ("**Bank A**") by pledge of the Pledged Properties (as defined in the announcement dated 11 November 2024) in favour of Bank A. As the Group was unable to settle Loan A, the Group has delivered vacant possession of certain pledged properties to Bank A for sale of such pledged properties to settle Loan A. As at the date of this report, the Group is the registered owner of the Pledged Properties, and has not received any concrete offer to purchase the Pledged Properties.

As disclosed in the announcement dated 25 November 2024, the Group, in the ordinary course of business, obtained banking facilities (the "**Facility B**") from a commercial bank in Hong Kong (the "**Bank B**") with an outstanding amount of approximately HK$11 million as at the date of this announcement. The Company considers that the Company's failure to settle the periodic payment of Loan A owed to Bank A as referenced in the announcement dated 11 November 2024 constitutes a technical cross default which may entitle Bank B to request early repayment of Loan B. As at 31 March 2025, the Company has not received any demand or notice with respect to the technical cross default from Bank B.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 29 to the consolidated financial statements in this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 15 November 2017, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the Scheme is set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Scheme is to provide additional incentive to any eligible persons of the Group and to promote the success of the Group's business.

(b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, invite any eligible persons to join the Scheme.

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

The maximum number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. i.e. a total of 80,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit must be separately approved by Shareholders in general meeting.

(e) Period within which the securities must be taken up under an option

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

(f) Minimum period for which an option must be held before exercise

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

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the exercise price

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

(i) Remaining life of the Scheme

The Scheme will remain in force for a period of ten years commencing on 24 September 2016 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

No share option has been granted or exercised under the Scheme during the Reporting Period. No share option was outstanding as at the year end date of the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Save as disclosed in section headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Significant Investments or Capital Assets", neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the Reporting Period.

DEBENTURE

No debenture was issued by the Company during the Reporting Period.

EQUITY-LINKED AGREEMENT

Save as the Scheme, no equity-linked agreement was entered into by the Company or subsisted during the Reporting Period which (a) will or may result in the Company issuing Shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing Shares.

DONATION

The Group has not made any charitable donation of not less than HK$10,000 during the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

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

DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

As at the year end date of the Reporting Period, our Directors had the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange:

(i) Interests in our Company

Name of Director	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
Mr. Lam *(Note 2&4)*	Interest of controlled corporation	48,000,000 (L)	45.98%
Ms. Yao *(Note 3&4)*	Interest of spouse	48,000,000 (L)	45.98%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.

2. These 48,000,000 Shares are held by First Tech, which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 48,000,000 Shares under the SFO.

3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

4. The Company was notified by First Tech Inc. ("**First Tech**"), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its shares (the "**Charged Shares**") in the issued share capital of the Company in favour of a third party ("**Lender**") as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at 31 December 2024, the Charged Shares represent 6.90% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

(ii) Interests in associated corporation of our Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Lam	First Tech	Beneficial owner	50,000	100%

Save as disclosed above, as at 31 December 2024, none of our Directors had any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to our Directors, as at 31 December 2024, the following persons (not being a Director or chief executive of our Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of substantial shareholder	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
First Tech *(Note 2, 3)*	Beneficial owner	48,000,000 (L)	45.98%
Infinity *(Note 4)*	Person having security interest in the shares	7,200,000 (L)	6.90%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.

2. First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.

3. The Company was notified by First Tech Inc. ("**First Tech**"), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its shares (the "**Charged Shares**") in the issued share capital of the Company in favour of a third party ("**Lender**") as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at the date of this report, the Charged Shares represent 6.90% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

4. Infinity is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 6.90% of total issued shares of the Company under SFO.

Save as disclosed above, so far as is known to our Directors, as at the year end date of the Reporting Period, there are no other person (not being a Director or chief executive of our Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of our Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Group or any other body corporate.

DIRECTORS AND THEIR SERVICE AGREEMENTS

The composition of the Board during the Reporting Period up to the date of this report is set out as follows.

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Sam Ming* *(Chairman)*
Ms. Yao Yuan*
Ms. Chan Sau Po

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

* Directors of the Company and its subsidiaries

The Director of subsidiaries who held office during the financial year and up to the date of this report are Mr. Lam Sam Ming and Ms. Yao Yuan. Mr. Lam is the sole director of the following subsidiaries of the Group: Century Sight Limited, Great Wall Printing Company Limited, Mr. Classic Inc., Great China Gains Inc., Super Noble Limited, Tactful Hero Limited. Ms. Yao Yuan is the legal representative of Prosperous Printing (Shenzhen) Co., Ltd.（中萬印刷（深圳）有限公司）. Mr. Lam and Ms. Yao Yuan are the directors of Prosperous Printing (HK) Company Limited and Printplus Limited.

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this report.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as the transactions set out in Note 34 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

Saved as disclosed, there was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or at the end of the Reporting Period.

Saved as disclosed, there was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

NON-COMPETITION UNDERTAKING

Each of Controlling Shareholders (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 15 November 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of non-competition" in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the Reporting Period.

MANAGEMENT CONTRACT

During the Reporting Period, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the Reporting Period, the Group's five largest customers accounted for approximately 63.5% of the total revenue of the Group and the largest customer of the Group accounted for approximately 24.0% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

Directors' Report

MAJOR SUPPLIERS

For the Reporting Period, the Group's five largest suppliers, one of which is our sub-contractor, accounted for approximately 19.0% of the cost of sales of the Group and the largest supplier of the Group accounted for approximately 6.1% of the cost of sales.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the Reporting Period is set out in this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

As at the year end date of the Reporting Period, the Company has no reserves available for distribution to its Shareholders.

AUDITOR

The consolidated financial statements of the Company for the Reporting Period were audited by WM CPA Limited. WM CPA Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting (the "**AGM**") of the Company. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

EVENTS AFTER THE REPORTING PERIOD

Please refer to the section headed "Events after the Reporting Period" in the "Management Discussion and Analysis" in this annual report for details.

Mr. Lam Sam Ming
Chairman

Hong Kong, 31 March 2025

WM CPA LIMITED
維文會計師事務所有限公司

TO THE SHAREHOLDERS OF PROSPEROUS PRINTING COMPANY LIMITED
(incorporated in the Hong Kong with limited liability)

DISCLAIMER OF OPINION

We have engaged to the audit the consolidated financial statements of Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 67 to 143, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to appropriateness of the going concern assumption

As disclosed in note 3.2 to the consolidated financial statements, the Group incurred a loss of approximately HK$45,607,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately HK$134,213,000. As disclosed in note 25 to the consolidated financial statements, the Group had total bank loans and overdrafts of approximately HK$107,580,000, which are repayable on demand or within one year, while the Group had bank and cash balances of approximately HK$849,000 only. As a result of breach of loan covenants, current bank borrowings of approximately HK$96,062,000 as at 31 December 2024 might become due and repayable on demand, and were classified as current borrowings accordingly.

The above conditions, together with other matters set out in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account the plans and measures as set out in note 3.2 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming the plans and measures can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the future outcome of the above plans and measures, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Scope limitation relating to appropriateness of the going concern assumption (Continued)

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures as detailed in note 3.2 to the consolidated financial statements can be successfully implemented as scheduled.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company as detailed in note 3.2 to the consolidated financial statements, we were unable to obtain the information that we considered necessary for our evaluation of the viability of the plans and measures to the extent that is necessary based on the cash flow forecast due to the unavailability of the information of the assumptions used in the going concern basis.

Due to the limitations on our scope of work as stated above and there are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans and measures can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Independent Auditor's Report (Continued)

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chow Wing Yiu.

WM CPA Limited
Certified Public Accountants
Chow Wing Yiu
Practising Certificate Number: P07574

Hong Kong
31 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	5	**50,056**	146,206
Cost of sales		**(52,025)**	(111,312)
Gross (loss)/profit		**(1,969)**	34,894
Other income	7	**1,237**	6,710
Other gains, net	8	**8,326**	13,832
Distribution costs		**(4,907)**	(13,189)
Administrative expenses		**(43,123)**	(50,922)
Impairment losses under expected credit loss model on trade and other receivables, net		**(2,682)**	(4,346)
Finance costs	9	**(3,778)**	(9,818)
Loss before tax	10	**(46,896)**	(22,839)
Income tax credit/(expenses)	11	**1,289**	(123)
Loss for the year		**(45,607)**	(22,962)
Other comprehensive income/(expenses)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**25**	(6,058)
Total comprehensive expenses for the year		**(45,582)**	(29,020)
		HK cents	HK cents
Loss per share			
Basic and diluted	15	**(49.63)**	(27.78)

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**92,166**	132,652
Investment properties	17	**43,935**	46,069
Intangible assets	18	**-**	181
Financial assets at fair value through other comprehensive income	19	**1,201**	1,201
		137,302	180,103
CURRENT ASSETS			
Inventories	21	**–**	16,852
Trade and other receivables	22	**20,288**	33,800
Bank balances and cash	23	**849**	3,022
		21,137	53,674
CURRENT LIABILITIES			
Trade and other payables	24	**29,822**	44,725
Bank loans and overdrafts	25	**107,580**	121,283
Amount due to a shareholder	26	**16,859**	707
Loan from a shareholder	26	**–**	265
Lease liabilities	27	**610**	9,898
Income tax payable		**479**	545
		155,350	177,423
NET CURRENT LIABILITIES		**(134,213)**	(123,749)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,089**	56,354
NON-CURRENT LIABILITIES			
Loan from a shareholder	26	**4,970**	8,844
Bank loans	25	**–**	1,944
Lease liabilities	27	**–**	2,693
Deferred tax liabilities	28	**7,269**	8,612
		12,239	22,093
NET (LIABILITIES)/ASSETS		**(9,150)**	34,261

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**108,490**	106,319
Deficits		**(117,640)**	(72,058)
TOTAL EQUITY		**(9,150)**	34,261

These consolidated financial statements on pages 67 to 143 were approved and authorised for issue by the Board of Directors on 31 March 2025 and are signed on its behalf by:

Lam Sam Ming
Director

Chan Sau Po
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital HK$'000	**Capital reserve** HK$'000 (Note (i))	**Statutory surplus reserve** HK$'000 (Note (ii))	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2023	100,843	3,318	5,125	(11,737)	(39,744)	57,805
Loss for the year	–	–	–	–	(22,962)	(22,962)
Other comprehensive expenses for the year	–	–	–	(6,058)	–	(6,058)
Total comprehensive expenses for the year	–	–	–	(6,058)	(22,962)	(29,020)
Issuance of shares (Note 29)	5,476	–	–	–	–	5,476
At 31 December 2023 and 1 January 2024	106,319	3,318	5,125	(17,795)	(62,706)	34,261
Loss for the year	**–**	**–**	**–**	**–**	**(45,607)**	**(45,607)**
Other comprehensive income for the year	**–**	**–**	**–**	**25**	**–**	**25**
Total comprehensive expenses for the year	**–**	**–**	**–**	**25**	**(45,607)**	**(45,582)**
Issuance of shares (Note 29)	**2,171**	**–**	**–**	**–**	**–**	**2,171**
At 31 December 2024	**108,490**	**3,318**	**5,125**	**(17,770)**	**(108,313)**	**(9,150)**

Notes: (i) Capital reserve comprises deemed contribution from the controlling shareholder in prior years.

(ii) As stipulated by the People's Republic of China (the "**PRC**"), the subsidiary in the PRC is required to appropriate 10% of their after-tax profit to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(46,896)**	(22,839)
Adjustments for:		
Amortisation of intangible assets	**45**	110
Bank interest income	**(1)**	(66)
Depreciation of property, plant and equipment	**9,841**	16.588
Depreciation of investment properties	**2,134**	2,135
Gain on early termination of lease	**(575)**	(278)
Exchange differences	**(700)**	(202)
Finance costs	**3,778**	9,818
(Reversal)/provision of impairment losses under ECL on trade receivables, net	**(583)**	4,376
Reversal of impairment losses under ECL on other receivables, net	**(17)**	(30)
Gain on disposal of property, plant and equipment	**(4,275)**	(8,475)
Loss on disposal of investment funds	**–**	9
Gain on termination of insurance plan, net	**–**	(158)
Write off of other payables	**–**	(250)
Operating cash flows before movements in working capital	**(37,249)**	738
Decrease in inventories	**17,136**	10,401
Decrease in trade and other receivables	**14,162**	14,209
Decrease in trade and other payables	**(13,796)**	(12,785)
Cash (used in)/generated from operations	**(19,747)**	12,563
Income tax paid		
– the PRC Enterprise Income Tax ("**EIT**")	**(98)**	(99)
– Hong Kong Profits Tax	**(17)**	(520)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(19,862)**	11,944
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**29,885**	9,328
Interest received	**1**	66
Proceeds from disposal of investment fund	**-**	2,026
Payment for purchase of property, plant and equipment	**(579)**	(181)
Release of pledged bank deposits	**-**	2,017
NET CASH GENERATED FROM INVESTING ACTIVITIES	**29,307**	13,256

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES			
Repayment of bank loans		**(72,248)**	(111,274)
Repayment of other loans		**–**	(4,640)
Repayment of lease liabilities		**(5,246)**	(11,908)
Interest and other borrowing costs paid		**(3,497)**	(8,632)
Interest on lease liabilities paid		**(281)**	(1,186)
Proceeds from bank loans		**57,374**	109,590
Advance from a shareholder		**14,741**	1,307
Repayment to a shareholder		**(4,244)**	(287)
Proceeds from issuance of new shares		**2,171**	4,275
NET CASH USED IN FINANCING ACTIVITIES		**(11,230)**	(22,755)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,785)**	2,445
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(8,909)**	(11,357)
Effect of foreign exchange rate changes		**25**	3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	23	**(10,669)**	(8,909)
Bank balance and cash		**849**	3,022
Bank overdrafts		**(11,518)**	(11,931)
		(10,669)	(8,909)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Prosperous Printing Company Limited (the "**Company**") is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 December 2017. Its holding company is First Tech Inc, a company incorporated in the British Virgin Islands ("**BVI**") and its ultimate controlling party is Mr. Lam Sam Ming, who is also the Chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (the "**Group**") are principally engaged in the production and trading of books and paper products.

Other than the subsidiary established in the People's Republic of China (the "**PRC**"), whose functional currency is Renminbi ("**RMB**"), the functional currency of the Company and its subsidiaries is Hong Kong Dollars ("**HK$**").

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2026
[3] Effective for annual/reporting periods beginning on or after 1 January 2027
[4] No mandatory effective date yet determined but available for adoption

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3.2 Going concern assumption

The Group incurred a loss of approximately HK$45,607,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately HK$134,213,000. The Group had total bank loans and overdrafts of approximately HK$107,580,000, which are repayable on demand or within one year, while the Group had bank and cash balances of approximately HK$849,000 only. As a result of breach of loan covenants, current bank borrowings of approximately HK$96,062,000 as at 31 December 2024 became due and repayable on demand, and were classified as current borrowings accordingly.

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

3.2 Going concern assumption (Continued)

The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group with plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the directors of the Company include, but not limited to, the following:

(i) the Group is actively negotiating with the banks for seeking continuous support and not demanding immediate repayment in respect of breach of loan covenants, to improve the financial position of the Group;

(ii) the Group obtained a letter of financial support from the shareholder, Mr. Lam Sam Ming ("Mr. Lam"), that Mr. Lam agreed not to request the Group to repay the amount due to him of approximately of HK$16,859,000 and loan from him of approximately of HK$4,970,000, and provide financial support to the Group so that the Group will be able to meet its liabilities as and when they fall due;

(iii) the Group would seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future expenditure;

(iv) the Group continues to apply measures to tighten cost controls over operating expenses, in order to improve the cash flows position of the Group.

Based on the cash flow forecast assuming the above plans and measures can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the future outcome of the above plans and measures, the directors of the Company are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the above plans and measures as abovementioned, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

3.3 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Revenue from contracts with customers

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

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

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

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

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

The Group recognised revenue from (i) production and trading of books and paper products; and (ii) provision of sub-contracting services in relation to books and paper products.

Revenue from sale of goods

Revenue from sales of goods is generally recognised when control of products has been transferred to the customer. Control of the product is considered transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products. Therefore, the directors of the Company consider that the control over such good is transferred at a point in time, instead of over time.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 30 days – 180 days of the date when control of the products is transferred to the customer.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Revenue from contracts with customers (Continued)

Provision of sub-contracting services

Revenue arising from provision of sub-contracting services is recognised when the customer accepts and takes control of the goods sub-contracted to the Group.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease components, and accounts for the lease component and any associated non-lease components as a single lease component.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

Foreign currencies

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Foreign currencies (Continued)

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Taxation (Continued)

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Property, plant and equipment (Continued)

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

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. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals. Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Impairment on property, plant and equipment (including right-of-use assets) and investment properties

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Impairment on property, plant and equipment (including right-of-use assets) and investment properties (Continued)

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

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

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained losses.

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

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.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

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

3.3 Material accounting policy information Basis of consolidation (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, bank loans and overdrafts amount due to a shareholder and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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 is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

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

(i) Provision of ECL for trade receivables

The impairment loss on trade receivables are measured using ECL model on collective and individual basis which requires the Group to use judgement and estimates in making assumptions and selecting the inputs to the ECL model, based on the number of days that an individual receivable is outstanding as well as their current repayment ability, and taking into account information obtained from external valuer specific to respective customer as well as pertaining to the economic environment in which the debtors operate at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance for impairment loss on trade receivables.

At 31 December 2024, the carrying amount of the trade receivable was approximately HK$16,694,000 (2023: HK$28,952,000). During the year ended 31 December 2024, a reversal of impairment loss on trade receivables of approximately HK$583,000 (2023: provision of impairment loss of approximately HK$4,376,000) has been recognised.

The information about the ECL and the Group's trade receivables are disclosed in Note 31(b) and 22, respectively.

(ii) Estimated impairment of property, plant and equipment and investment properties

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(ii) Estimated impairment of property, plant and equipment and investment properties (Continued)

As at 31 December 2024, the carrying amounts of property, plant and equipment (including rights-of-use assets) and investment properties subject to impairment assessment were HK$92,166,000 (2023: HK$132,652,000) and HK$43,935,000 (2023: HK$46,069,000), respectively. Based on the estimated recoverable amount, no impairment loss on property, plan and equipment (including right-of-use assets) and investment properties have been recognised during the years ended 31 December 2024 and 2023.

5. REVENUE

Disaggregation of revenue from contracts with customers

Revenue represents revenue arising from the sales of goods and provision of services for the year. An analysis of the Group's revenue for the year is as follows:

	2024 HK$'000	2023 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
– Sale of books and paper products	47,573	146,167
– Provision of subcontracting services in relation to books and paper products	2,483	39
	50,056	146,206

Disaggregation of revenue from contracts with customers by timing of recognition:

	2024 HK$'000	2023 HK$'000
Timing of revenue recognition over time	50,056	146,206

6. OPERATING SEGMENT

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM has determined that it only has one operating segment which is books and paper products production segment.

Information about geographical information Revenue from external customers

The Group's customers are mainly located in Hong Kong, the PRC, United States and United Kingdom.

Information about the Group's revenue from external customers is presented based on the geographical location of shipment.

	2024 HK$'000	2023 HK$'000
Hong Kong	29,736	84,367
The PRC	2,483	39
United States	17,615	60,900
United Kingdom	–	335
Others (Note)	222	565
	50,056	146,206

Note: Revenue from individual countries included in other countries is not significant.

6. OPERATING SEGMENT (CONTINUED)

Information about geographical information (Continued)

Non-current assets

Information about the Group's non-current assets, other than financial assets at FVTOCI, financial assets at FVTPL and deferred tax assets, is presented based on the geographical location of the assets.

	2024 HK$'000	2023 HK$'000
Hong Kong (place of domicile)	135,035	124,818
The PRC	–	54,084
	135,035	178,902

Information about major customers

Revenue from customers of corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2024 HK$'000	2023 HK$'000
Customer A	12,009	49,379
Customer B	8,033	15,415

7. OTHER INCOME

The Group's other income is presented as follows:

	2024 HK$'000	2023 HK$'000
Bank interest income	**1**	66
Government grants		
– PRC government subsidies (Note i)	**176**	3,465
Sundry income	**1,060**	3,179
	1,237	6,710

Notes:

i. The amount represents government grants received from (i) Industry and Information Technology Bureau of Shenzhen Municipality for supporting the placement of high-quality enterprises amounted to HK$0.2 million (2023: HK$2.1 million); and (ii) other local PRC government authorities for contribution to local economies amount to HK$nil (2023: HK$1.4 million), of which entitlements were unconditional, at the discretion of the relevant authorities and recognised immediately as other income in the year of receipt.

8. OTHER GAINS, NET

The Group's other gains, net is presented as follows:

	2024 HK$'000	2023 HK$'000
Gain on early termination of lease	**575**	278
Gain on disposal of property, plant and equipment	**4,275**	8,475
Loss on disposal of investment funds	**–**	(9)
Gain on termination of insurance plan, net	**–**	158
Written off of other payables	**–**	250
Net foreign exchange gain	**3,476**	4,680
	8,326	13,832

9. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest expenses on:		
– Bank loans and overdrafts	3,428	8,303
– Other loans	–	130
– Lease liabilities	281	1,186
– Loan from a shareholder	69	199
	3,778	9,818

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2024 HK$'000	2023 HK$'000
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	36,671	53,899
– Contributions to retirement benefit schemes	2,430	5,765
	39,101	59,664
Other items:		
Amortisation of intangible assets, included in administrative expenses	45	110
Depreciation, included in:		
Cost of sales		
– Owned property, plant and equipment	2,997	3,597
– Right-of-use assets	3,578	10,943
– Investment properties	1,665	1,665
Administrative expenses		
– Owned property, plant and equipment	1,023	876
– Right-of-use assets	2,243	1,172
– Investment properties	469	470
	11,975	18,833
Auditors' remuneration	708	886
Amount of inventories recognised as expenses	11,114	47,478
(Reversal)/provision of impairment losses under expected credit loss model on:		
– trade receivables	(583)	4,376
– other receivables	(17)	(30)

11. INCOME TAX CREDIT/(EXPENSES)

	2024 HK$'000	2023 HK$'000
Current tax		
Hong Kong Profits Tax		
– Current year	54	178
PRC Enterprise Income Tax		
– Current year	–	115
– Over provision in prior year	–	(149)
	54	144
Deferred tax (Note 28)		
– Current year	(1,343)	(21)
Income tax (credit)/expenses	(1,289)	123

i) Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Provision for Hong Kong Profits Tax has been made for the years ended 31 December 2024 and 2023 under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

ii) Under the Law of the PRC on Enterprise income tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

iii) The Group's subsidiaries in the BVI are not subject to taxation.

11. INCOME TAX CREDIT/(EXPENSES) (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
Loss before tax	(46,896)	(22,839)
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	(7,738)	(3,768)
Tax effect of expenses not deductible for tax purpose	1,707	1,241
Tax effect of income not taxable for tax purpose	(148)	(1,733)
Tax effect of estimated tax losses not recognised	4,944	4,493
Over provision in prior year	–	(149)
Effect of different tax rates of subsidiary operating in other jurisdiction	(54)	39
Income tax (credit)/expenses for the year	(1,289)	123

Details of the deferred taxation are set out in Note 28.

12. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the subsidiaries (the "**Employer**") in Hong Kong and its employees makes monthly mandatory contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The mandatory contributions from each of the Employer and employees are subject to a cap of HK$1,500 per month.

In addition, employees with 4 to 10 years of service of the Group are entitled to receive the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions to the MPF Scheme at the same time. The maximum voluntary contributions of the Group for those employees with services of the Group more than 10 years are 10% of the employees' basic salaries.

During the year ended 31 December 2024, a total contribution of HK$383,000 (2023: HK$660,000) was made by the Group in respect of this scheme.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, the PRC subsidiary is required to contribute to a state managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2024, a total contribution of approximately HK$1,837,000 (2023: HK$4,617,000) was made by the Group is respect of this scheme.

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(a) Directors' and chief executive remuneration

Directors' and chief executives' remuneration for the year disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies is follows:

For the year ended 31 December 2024

	Directors' fees HK$'000	Salaries and bonus HK$'000	Contributions retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Lam Sam Ming ("**Mr. Lam**") *(Chairman and chief executive)*	2,160	–	18	2,178
Yao Yuan ("**Ms. Yao**")	374	–	17	391
Chan Sau Po	882	–	18	900
Independent non-executive directors				
Cheung Yin	120	–	–	120
Wong Hei Chiu	120	–	–	120
Leung Vincent Gar-Gene	120	–	–	120
	3,776	–	53	3,829

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(a) Directors' and chief executive remuneration (Continued)

For the year ended 31 December 2023

	Directors' fees HK$'000	Salaries and bonus HK$'000	Contributions retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Mr. Lam *(Chairman and chief executive)*	2,160	–	18	2,178
Ms. Yao	346	–	17	363
Chan Sau Po	882	–	18	900
Independent non-executive directors				
Cheung Yin	120	–	–	120
Wong Hei Chiu	120	–	–	120
Leung Vincent Gar-Gene	120	–	–	120
	3,748	–	53	3,801

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(ii) Mr. Lam is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(iii) Neither the chief executive nor any of the directors waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2024 and 2023.

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(b) Employee's emoluments

Of the five individuals with the highest emoluments, two (2023: two) were directors and the chief executive of the Company whose emoluments are set out above. The emoluments of remaining three (2023: three) individuals were as follows:

	2024 HK$'000	2023 HK$'000
Salaries and other emoluments	1,406	1,830
Discretionary bonuses	–	–
Retirement scheme contributions	43	54
	1,449	1,884

Their emoluments were within the following band:

	Number of individuals	
	2024	2023
Nil to HK$1,000,000	3	3
	3	3

(c) No emolument has been paid by the Group to the directors and the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2024 and 2023.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

15. LOSS PER SHARE

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

	2024 HK$'000	2023 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(45,607)	(22,962)

	2024 '000	2023 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (note)	91,892	82,659

Note: The weighted average number of ordinary shares in issue and basic and diluted loss per share were stated after taking into account the effect of the share consolidation on 25 August 2024 as set out in Note 29, whereby every 10 ordinary shares of the company were consolidated into 1 consolidated share.

There were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023, and therefore, diluted loss per share is the same as basic loss per share.

Comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in prior year.

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in leasehold land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery HK$'000	Leasehold improvements, fixtures and furniture HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2023	117,000	30,773	224,398	20,942	5,835	398,948
Addition	–	633	141	40	–	814
Disposals	–	–	(22,690)	(3)	(94)	(22,787)
Lease termination	–	(8,619)	–	–	–	(8,619)
Transfer to investment property (note 17)	(61,900)	–	–	–	–	(61,900)
Exchange realignment	–	(551)	(1,961)	(98)	{10)	(2,620)
At 31 December 2023	**55,100**	**22,236**	**199,888**	**20,881**	**5,731**	**303,836**
Addition	–	–	–	–	579	579
Disposals	–	–	(96,419)	(5,697)	(3,180)	(105,296)
Lease termination	–	(20,270)	–	–	–	(20,270)
Exchange realignment	–	(363)	(1,364)	(87)	(7)	(1,821)
At 31 December 2024	**55,100**	**1,603**	**102,105**	**15,097**	**3,123**	**177,028**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2023	25,888	8,612	143,292	14,632	3,904	196,328
Provided for the year	1,900	9,128	2,099	3,085	376	16,588
Eliminated on disposals	–	–	(21,848)	(1)	(85)	(21,934)
Lease termination	–	(4,302)	–	–	–	(4,302)
Transfer to investment property (note 17)	(13,696)	–	–	–	–	(13,696)
Exchange realignment	–	(144)	(1,589)	(61)	(6)	(1,800)
At 31 December 2023	**14,092**	**13,294**	**121,954**	**17,655**	**4,189**	**171,184**
Provided for the year	2,970	2,914	2,684	944	329	9,841
Eliminated on disposals	–	–	(73,118)	(4,815)	(2,460)	(80,393)
Lease termination	–	(14,397)	–	–	–	(14,397)
Exchange realignment	–	(208)	(1,091)	(70)	(4)	(1,373)
At 31 December 2024	**17,062**	**1,603**	**50,429**	**13,714**	**2,054**	**84,862**
CARRYING VALUES						
At 31 December 2024	**38,038**	**–**	**51,676**	**1,383**	**1,069**	**92,166**
At 31 December 2023	41,008	8,942	77,934	3,226	1,542	132,652

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) Ownership interests leasehold land and buildings are depreciated over the shorter of the term of useful lives of the buildings or unexpired term of the lease using the straight-line method.

Other than ownership interests in leasehold land and buildings, properties, plant and equipment are depreciated using the reducing balance method at the following rates per annum:

Plant and machinery	10%
Leasehold improvements, fixtures and furniture	20% or terms of lease whichever is shorter
Motor vehicles	20%

b) At 31 December 2024, the Group's certain land and buildings with the carrying amounts of HK$38,038,000 (2023: HK$41,008,000), respectively were pledged for the Group's banking facilities as referred to in Note 25 to the consolidated financial statements.

c) Right-of-use assets

The analysis of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Notes	**2024 HK$'000**	2023 HK$'000
At carrying amount			
Ownership interests in leasehold land and buildings held for own use in Hong Kong, with remaining lease term of 50 years or more	(i)	**41,008**	41,008
Other properties leased for own use	(ii)	**–**	8,942
Plant and machinery	(iii)	**7,717**	8,574
Motor vehicles	(iv)	**516**	537
		49,241	59,061

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c) Right-of-use assets (Continued)

The analysis of the expense items in relation to leases recognised in profit or loss are as follows:

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets by class of underlying assets:		
– Ownership interests in leasehold land and buildings	1,900	1,900
– Other properties leased for own use	2,914	8,884
– Plant and machinery	857	1,197
– Motor vehicles	150	134
	5,821	12,115

	2024 HK$'000	2023 HK$'000
Expense relating to short-term leases	483	552
Total cash outflow for leases	5,246	13,094
Addition to right-of-use assets	–	633

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings for its book and paper products business, where its production facilities are primary located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, which the directors of the Company consider the ownership interests in leasehold land and buildings cannot be separated.

During the year ended 31 December 2023, the Group leased certain office, warehouses and carparks to third party. As a result, the portion of the ownership interests in leasehold land and buildings with carrying amount of HK$48,204,000 were transferred to investment properties using cost model. Details are set out in Note 17.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c) Right-of-use assets (Continued)

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises, production plant and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years under fixed terms payment. The Group has decreased as lease termination.

(iii) Other leases

The Group leases production plant, machinery and motor vehicles under leases expiring from 1 to 3 years. All leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

d) Impairment assessment

During the year ended 31 December 2024 and 2023, as there was a loss incurred, the management of the Group concluded there was indication for impairment and conducted impairment assessment on property, plant and equipment (including right-of-use assets) which related to the book and paper business based on the value in use calculation with the assistance of the independent professional qualified valuer. The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment loss on property, plant and equipment has been recognised during the years ended 31 December 2024 and 2023.

17. INVESTMENT PROPERTIES

The Group's office, warehouses and carkparks were previously occupied for the Group's own use. During the year ended 31 December 2024 and 2023, the Group leases out various offices, warehouses and carparks under operating leases with rentals payable monthly, and the properties were transferred from property, plant and equipment to investment properties. The leases typically run for an initial period of less than one year with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

	HK$'000
COST	
At 1 January 2023	–
Transfer from property, plant and equipment (Note 16)	48,204
At 31 December 2023, 1 January 2024 and 31 December 2024	**48,204**
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 January 2023	–
Provided for the year	2,135
At 31 December 2023 and at 1 January 2024	2,135
Provided for the year	2,134
At 31 December 2024	**4,269**
NET CARRYING AMOUNT	
At 31 December 2024	**43,935**
At 31 December 2023	46,069

a) The investment property using cost model are depreciated over the shorter of the term of useful lives of the buildings or unexpired term of the lease using the straight-line method.

b) As 31 December 2024 and 2023, the Group's investment properties were pledged for the Group's banking facilities.

18. INTANGIBLE ASSETS

	Computer software HK$'000
COST	
At 1 January 2023	1,124
Exchange realignment	(22)
At 31 December 2023 and at 1 January 2024	**1,102**
Exchange realignment	**(41)**
At 31 December 2024	**1,061**
ACCUMULATED AMORTISATION	
At 1 January 2023	827
Provided for the year	110
Exchange realignment	(16)
At 31 December 2023 and at 1 January 2024	**921**
Provided for the year	**45**
Exchange realignment	**95**
At 31 December 2024	**1,061**
CARRYING AMOUNT	
At 31 December 2024	**–**
At 31 December 2023	181

Computer software is amortised on a straight-line basis over 10 years.

19. FINANCIAL ASSETS AT FVTOCI

	2024 HK$'000	2023 HK$'000
Financial assets at FVTOCI	**1,201**	1,201

On 20 July 2023, the Group entered into a sales and purchase agreement with a third party. Pursuant to the sales and purchase agreement, the Group agreed to purchase 13% of the entire registered share capital of Guangzhou Hai Jian Digits Technology Company Limited ("**Guangzhou Hai Jian**"), a company incorporated in the PRC with limited liability, with an agreed consideration of RMB1,050,000 settled by way of the issuance of an aggregate of 31,120,000 new shares of the Company at HK$0.0386 per share, at a consideration of HK$1,201,000.

Guangzhou Hai Jian is principally engaged in the business of internet data services, advertisement design, agency; advertisement publishment and advertising production as well as provision of advertising services for food and beverage products.

The principal investment of the Guangzhou Hai Jian is Liuzhou City Liuzhou River Snails Rice Noodle Industry Service Co., Limited, a company incorporated in the PRC with limited liability and is principally engaged in the operation of Liuzhou river snail rice noodles brand online platform in the city of Liuzhou.

The Group designated the equity securities at FVTOCI (non-recycling), as the investment is held for long-term strategic purposes.

For details of the fair value measurement are set out in Note 31(d).

During the years ended 31 December 2024 and 2023, no dividends were declared by the equity securities and received by the Group.

21. INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	–	9,842
Work-in-progress	–	4,800
Finished goods	–	2,210
	–	16,852

22. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**129,213**	142,054
Less: Allowance for credit losses	**(112,519)**	(113,102)
	16,694	28,952
Other receivables	**3,488**	1,866
Prepayments	**–**	34
Utility and other deposits	**106**	942
Other tax recoverable	**–**	2,006
	20,288	33,800

The Group does not hold collateral over these balances.

(i) The Group allows credit terms 30 – 180 days from the date of billing to its trade customers.

The following is an aged analysis of the trade receivables, net of allowance for credit losses, presented based on invoice dates, at the end of the reporting period:

	2024 HK$'000	2023 HK$'000
Within 1 month	**288**	6,679
1 to 3 months	**1,934**	5,936
3 to 6 months	**851**	3,847
6 to 12 months	**835**	1,076
Over 1 year	**12,786**	11,414
	16,694	28,952

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) (Continued)

At 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$129,212,000 (2023: HK$128,485,000) which are past due on the reporting date. Out of the past due balances HK$126,408,000 (2023: HK$125,556,000) has been past due 90 days or more and is not considered in default. The directors of the Company do not consider the amounts are in default based on the historical long-term business relationship with the customer and ongoing sales together with continuous partial settlement. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward-looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Before accepting any new customer, the management of the Company estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year.

Details of impairment assessment of trade and other receivables are set out in Note 31(b) to the consolidated financial statements.

(ii) The Group's trade and other receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2024 **HK$'000**	2023 HK$'000
US$	**26,043**	35,183
British Pound ("**GBP**")	**1,425**	1,223
Australian Dollar ("**AUD**")	**176**	873
Euro	**–**	196
	27,644	37.475

23. CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash and cash equivalents in the consolidated statement of financial position		
– Cash at bank and on hand (Note (i))	849	3,022
– Bank overdrafts (Note (ii))	(11,518)	(11,931)
Cash and cash equivalents in the consolidated statement of cash flows	(10,669)	(8,909)

Notes:

(i) Cash and bank balances for the purpose of meeting the Group's short-term cash carry interest at market rates commitments, which range from 0.50% to 0.73% (2023: 0.88% to 1.10%).

(ii) Bank overdrafts carry interest a market rates at 6.13% (2023: 6.31%).

At 31 December 2024, bank balances of a PRC subsidiary amounting to HK$98,000 (2023: HK$1,390,000) are not freely convertible into other currencies and subject to the exchange restrictions imposed by the PRC government.

Details of impairment assessment of bank balances are set out in Note 31(b).

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2024 HK$'000	2023 HK$'000
US$	–	422

24. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**19,152**	20,553
Accrued staff costs	**1,820**	3,827
Other accruals	**3,123**	773
Other payables	**5,713**	19,447
Other tax payable	**14**	125
	29,822	44,725

The following is an aged analysis of the trade payables presented based on invoice date at the end of reporting period is as follows:

	2024 HK$'000	2023 HK$'000
Within 1 month	**1,764**	2,966
1 to 3 months	**63**	4,332
3 to 6 months	**3,585**	5,931
6 to 12 months	**6,163**	5,828
Over 1 year	**7,577**	1,496
	19,152	20,553

The credit periods granted to the Group by suppliers range from 7 to 120 days.

25. BORROWINGS

	2024 HK$'000	2023 HK$'000
Bank loans – secured		
– Variable rate borrowings	**96,062**	111,296
– Bank overdrafts	**11,518**	11,931
	107,580	123,227

25. BORROWINGS (CONTINUED)

	Bank loans and overdrafts	
	2024	2023
	HK$'000	HK$'000
The carrying amount of the above borrowings are repayable*:		
Within one year	**11,518**	9,101
Within a period of more than one year but not exceeding two years	**–**	265
Within a period of more than two years but not exceeding five years	**–**	1,679
	11,518	11,045
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) and repayable:		
Within one year	**86,452**	102,284
Within a period of more than one year but not exceeding two years	**2,132**	1,929
Within a period of more than two years but not exceeding five years	**5,928**	6,102
Within a period of more than five years	**1,550**	1,867
	96,062	112,182
Carrying amounts of total borrowings	**107,580**	123,227
Less: Amount due within one year shown under current liabilities	**(107,580)**	(121,283)
Amount shown under non-current liabilities	**–**	1,944

* The amount due are based on scheduled repayment dates set out in the loan agreements.

(i) The effective interest rates of the Group's bank loans and overdrafts and other loan are as follows:

	2024	2023
	HK$'000	HK$'000
Effective interest rates:		
Bank loans and overdrafts	**3.63%-13.38% per annum**	3.63%-8.28% per annum

(ii) At 31 December 2024 and 2023, the banking facilities were secured by investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries.

25. BORROWINGS (CONTINUED)

(iii) The carrying amounts of assets pledged against bank loans and overdrafts as at the end of the reporting period were analysed as follows:

	2024 HK$'000	2023 HK$'000
Property, plant and equipment	**38,038**	41,008
Investment properties	**43,935**	46,069
	81,973	87,077

(iv) At 31 December 2024, the Group had banking facilities amounted to HK$116,588,000 (2023: HK$127,634,000) of which HK$107,580,000 (2023: HK$123,227,000) has been utilised.

(v) All of the Group's banking facilities are subject to the fulfilment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in loan arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, certain of the Group's banking facilities letters contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

Pursuant to the facility agreement, it will be an event of default if Mr. Lam Sam Ming is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 51% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

At 31 December 2024 and 2023, in respect of bank loans with carrying amount of HK$96,062,000 (2023: HK$100,844,000) secured by the investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries, the Group breached the corresponding bank covenants, which are primarily related to maintain the gearing ratio of the Group at the agreed level. Upon the breach of loan covenant, the bank has regularly reviewed and assessed the financial covenant clauses. Up to the date of issuance of these consolidated financial statements, there is no action taken by the bank to request for immediate repayment of the bank loans amounted to HK$96,062,000 which breach the covenant. The directors of the Company consider the breach of the covenant would not trigger immediate demand for repayment from bank. Further details of the Group's management of liquidity risk are set out in Note 31(b).

26. AMOUNT DUE TO A SHAREHOLDER/LOAN FROM A SHAREHOLDER

Balance represents the amount due to and loan from a shareholder, Mr Lam Sam Ming, of which the amounts due to a shareholder are non-trade in nature, unsecured and interest free. The amount due to a shareholder is is not required to be settled within one year.

As at 31 December 2024 the loan from a shareholder amounted to HK$4,970,000 is interest-free and is not required to be settled within one year.

As at 31 December 2023, the loan from a shareholder amounted to HK$4,109,000 is interest-bearing at 3.44% per annum of which HK$265,000 is classified as current liabilities. The remaining loan from a shareholder amounted to HK$5,000,000 is interest-free and is not required to be settled within one year.

27. LEASE LIABILITIES

	2024 HK$'000	2023 HK$'000
Lease liabilities payable:		
Within one year	610	9,898
After 1 year but within 2 years	–	2,693
	610	12,591
Less: Amount due from settlement within 12 months, shown under current liabilities	(610)	(9,898)
Amount due for settlement after 12 months shown under non-current liabilities	–	2,693

At 31 December 2024, the incremental borrowing rate applied on the calculation of present value of lease liabilities was ranged from 4.65% to 7.26% per annum (2023: 4.65% to 7.26% per annum).

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

28. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated financial statement of financial position, certain deferred tax liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 HK$'000	2023 HK$'000
Deferred tax liabilities	**(7,269)**	(8,612)

The movements in deferred tax liabilities during the current and prior years are as follows:

	Depreciation allowance in excess of the related depreciation HK$'000	**Impairment losses on receivables** HK$'000	**Depreciation charge of right-of-use assets** HK$'000	**Total** HK$'000
At 1 January 2023	7,327	(37)	1,340	8,630
Charged/(credited) to profit or loss	443	37	(501)	(21)
Exchange realignment	–	–	3	3
At 31 December 2023 and at 1 January 2024	7,770	–	842	8,612
Credited to profit or loss	(1,179)	–	(164)	(1,343)
Exchange realignment	–	–	–	–
At 31 December 2023	6,591	–	678	7,269

At 31 December 2024, the Group has estimated unused tax losses of approximately HK$150,673,000 (2023: HK$135,511,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2024 and 2023.

At the end of the reporting period, the Group has deductible temporary differences arising from impairment loss on receivables of approximately HK$121,606,000 (2023: HK$122,206,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. DEFERRED TAX LIABILITIES (CONTINUED)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$30,321,000 (2023: HK$45,584,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of shares		Share capital	
	2024	2023	**2024**	2023
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
Ordinary shares				
At the beginning of the reporting period	**86,998**	800,000	**106,319**	100,843
Issuance in consideration for the acquisition of the financial assets at FVTOCI (Note a)	**–**	31,120	**–**	1,201
Placing of new ordinary shares (Note b)	**17,390**	38,860	**2,171**	4,275
Effect of share consolidation (Note c)	**–**	(782,982)	**–**	–
At the end of the reporting period	**104,388**	86,998	**108,490**	106,319

Notes:

(a) On 20 July 2023, the Group entered into a sales and purchase agreement with a third party. Pursuant to the sales and purchase agreement, the Group agreed to purchase 13% of the entire registered share capital of Guangzhou Hai Jian, with an agreed consideration of RMB1,050,000 settled by way of the allotment and issue of an aggregate of 31,120,000 new shares at HK$0.0386 per share of the Company, at a consideration of HK$1,201,000. Details are set out in Note 19 to the consolidated financial statements.

(b) On 20 September 2024, the Company entered into a placing agreement with a placing agent for placing a maximum of 17,390,000 ordinary shares of the Company at a placing price of HK$0.125 per share.

On 14 August 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 38,860,000 ordinary shares of the Company at a placing price of HK$0.11 per share.

(c) Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 25 August 2023, the share consolidation of every ten issued shares be consolidated into one consolidated share which became effective on 29 August 2023.

30. CAPITAL RISK MANAGEMENT

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 was to maintain the net debt-to-equity ratio in a balance position.

The capital structure of the Group consists of net debt, which includes bank loans and overdrafts and other loan, amount due to and loan from a shareholder and lease liabilities disclosed in Notes 25, 26 and 27 respectively, net of pledged bank deposits, bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital, retained losses and other reserves.

The gearing ratio at the end of the reporting period was as follows:

	2024 **HK\$'000**	2023 HK\$'000
Debt (i)	**130,019**	145,634
Pledged bank deposits	**–**	–
Bank balances and cash	**(849)**	(3,022)
Net debt	**129,170**	142,612
Equity (ii)	**(7,700)**	34,261
Net debt to equity ratio	**(1,678%)**	416%

(i) Debt is defined as short-term bank loans and overdrafts, amount due to and loan from a shareholder and lease liabilities, as detailed in Notes 25, 26 and 27.

(ii) Equity includes all capital and (deficits) reserves of the Company.

Except for the banking facilities which require the fulfilment of covenants as disclosed in Note 25, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets at FVTOCI	**1,201**	1,201
Financial assets at amortised cost	**21,137**	34,784
Financial liabilities at amortised cost	**159,827**	170,620

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, trade and other receivables, deposits, pledged bank deposits, bank balances and cash, trade and other payables, bank loans and overdrafts, amount due to a shareholder and loan from a shareholder. Details of the 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 management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Certain group entities have foreign currency sales and purchases denominated in RMB, US$, GBP and AUD other than the functional currency of respective entities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which included financial assets at FVTPL, trade and other receivables, bank balances and cash, and trade and other payables at the end of the reporting period are as follows:

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and intra-group balances at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**2,331**	12,739	**2,073**	2,073
RMB	**–**	13	**19**	–
GBP	**369**	185	**–**	–
AUD	**–**	859	**–**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The directors of the Company consider the impact of currency risks denominated US$ is insignificant as US$ pegged with HK$.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in HK$ against the relevant foreign currencies. 5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the management represents management's assessment of the reasonably possible change in foreign exchange rates.

The directors of the Company consider the impact of post-tax loss arising from the Group's sensitivity to a 5% increase and decrease in HK$ against RMB, GBP and AUD is insignificant, no sensitivity analysis is presented for these currencies.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest risk in relation to bank balance (see Note 23), bank loans and overdrafts (see Note 25), and lease liabilities (see Note 27). Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out below.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2024		2023	
	Effective interest rate %	Amount HK$'000	Effective interest rate %	Amount HK$'000
Fixed rate borrowings:				
Lease liabilities	4.65% – 7.26%	610	4.65% – 7.26%	12,591
Loan from a shareholder	3.44%	4,970	3.44%	8,844
		5,580		21,435
Variable rate borrowings:				
Bank overdrafts	3.63% – 6.38%	11,518	3.63% – 6.38%	11,931
Bank loans	3.63% – 13.38%	96,062	3.63% – 8.28%	111.296
Other loans	N/A	–	N/A	–
		107,580		123,227
Total borrowings		113,160		144,662

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased (2023: increased/decreased) the Group's loss after tax and increased/decreased retained losses (2023: retained loss) by approximately HK$1,076,000 (2023: HK$1,165,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to variable-rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group's exposure to fair value interest risk is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Group has established a credit risk management policy under which 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 obtained from external valuer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in single segments or countries in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2023: 5%) of the total trade receivables were due from the Group's largest customer and 83% (2023: 22%) of the total trade receivables were due from the Group's five largest customers respectively.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a collective and individual assessment. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the impairment loss based on past due status is further distinguished between the Group's different customer bases.

The customer bases consist of the following groups, classified by credit risk characteristics:

Collective assessment

Group 1:	Insured customers – credit loss is hedged by insurance policies and have no historical default record
Group 2:	Long-term business relationship customers – always pay late but have no historical default record
Group 3:	Other customers are neither in Group 1 & 2 nor credit-impaired with significant increase in credit risk but not credit-impaired

Individual assessment

Credit-impaired trade debtors and trade debtors with significant balance are assessed for ECL individually.

For Group 1, the Group has monitoring procedures in place to make sure that the credit limit granted to these customers maintains at an acceptable level compared to the sum insured by the insurance companies. In this regard, management considers credit risk in respect of these customer is significantly mitigated.

For Group 2, in view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

For Group 3, expected loss rates are based on actual loss experience over the past 3 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Individual assessment (Continued)

Credit-impaired trade debtors and trade debtors with significant balances with gross carrying amount of HK$37,976,000 (2023: HK$38,566,000) and HK$76,211,000 (2023: HK$74,789,000) respectively as at 31 December 2024 were individually assessed. At 31 December 2024, the balance of impairment loss in respect of these individually assessed receivables was HKHK102,767,000 (2023: HK$101,323,000).

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2024 and 31 December 2023:

	ECL rate	Gross carrying amounts HK$'000	Loss allowance HK$'000	Net carrying amounts HK$'000
At 31 December 2024				
Provision on collective basis				
Group 1 customers	0%*	1,857	–	1,857
Group 2 customers	0%	–	–	–
Group 3 customers				
– Current (not past due)	0.59%	535	(3)	532
– Within 1 month past due	0.59%	5	–	5
– 1 to 3 months past due	1.80%	109	(2)	107
– 3 to 6 months past due	5.37%	183	(10)	173
– Over 6 months past due	10.73%	615	(66)	549
– Over 1 year	84.32%	11,721	(9,671)	2,050
		15,025	(9,752)	5,273
Provision on individual basis	0.59% – 87.13%	114,188	(102,767)	11,421
		129,213	(112,519)	16,694

* At 31 December 2024, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Individual assessment (Continued)

	ECL rate	Gross carrying amounts HK$'000	Loss allowance HK$'000	Net carrying amounts HK$'000
At 31 December 2023				
Provision on collective basis				
Group 1 customers	0%*	10,236	–	10,236
Group 2 customers	0%	–	–	–
Group 3 customers				
– Current (not past due)	0.59%	3,507	(20)	3,487
– Within 1 month past due	0.59%	612	(3)	609
– 1 to 3 months past due	1.80%	366	(7)	359
– 3 to 6 months past due	5.37%	13	(1)	12
– Over 6 months past due	10.73%	37	(4)	33
– Over 1 year	84.32%	13,928	(11,744)	2,184
		28,699	(11,779)	16,920
Provision on individual basis	0.59% – 87.13%	113,355	(101,323)	12,032
		142,054	(113,102)	28,952

* At 31 December 2023, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.

Expected loss rates are based on actual loss experience over past 5 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Individual assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2023	84,978	23,748	108,726
Changes due to financial instruments recognised as at 1 January 2023:			
Transfer to credit-impaired	(12,354)	12,354	–
Impairment losses recognised	2,607	2,464	5,071
Impairment losses reversed	(699)	–	(699)
New financial assets originated	4	–	4
At 31 December 2023	74,536	38,566	113,102
Impairment losses reversed	(583)	–	(583)
At 31 December 2024	**73,953**	**38,566**	**112,519**

Changes in the loss allowance for trade receivables are mainly due to:

	2024 Increase/(decrease) in lifetime ECL		2023 Increase/(decrease) in lifetime ECL	
	Non-credit impaired HK$'000	**Credit impaired HK$'000**	Non-credit impaired HK$'000	Credit impaired HK$'000
Increase in days past due over one year	–	–	–	2,464
No (2023: Two) trade debtors with total gross amount of HK$nil (2023: HK$12,354,000) defaulted and transferred to credit-impaired	–	–	(12,354)	12,354

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits

Movement in impairment loss in respect of deposits and other receivables during the year is as follows:

	2024 HK$'000	2023 HK$'000
Balance at 1 January	**9,104**	9,134
Reversal of impairment loss recognised during the year	**(17)**	(30)
Balance at 31 December	**9,087**	9,104

At the end of the reporting period, the Group reviews deposits and other receivables for evidence of impairment on an individual and collective bases. At 31 December 2024, the Group determined deposits and other receivables with significant balance of approximately HK$9,087,000 was individually assessed (2023: HK$9,104,000). Based on this individual assessment, impairment loss of approximately HK$30,000 was reversed (2023: HK$14,000 was recognised) during the year. An impairment of approximately HK$13,000 was recognised (2023: HK$16,000 was reversed) based on collective assessment.

Cash at bank

The Group mitigates its exposure to credit risk by placing deposits with banks with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings. Bank loans with a repayment on demand clause, including the bank loans that are repayable on demand due to breach of loan covenants as disclosed in Note 25, are included in the earliest time band regardless of the possibility of the bank choosing to exercise its rights.

The Group relies on bank loans and overdrafts as a significant source of liquidity. At 31 December 2024, the Group has available unutilised overdraft and short-term bank loan facilities of HK$nil (2023: HK$730,000) and HK$nil (2023: HK$3,677,000) respectively. Details of which are set out in Note 25.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 31 December 2025 and other measures taken by the management as referred to in Note 3.2 to the consolidated financial statements, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2024.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate (%)	On demand or less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2024							
Trade and other payables	**–**	**29,808**	**–**	**–**	**–**	**29,808**	**29,822**
Bank loans	**13.38**	**86,452**	**2,133**	**7,127**	**1,550**	**97,262**	**96,062**
Bank overdrafts	**6.31**	**11,518**	**–**	**–**	**–**	**11,518**	**11,518**
Amount due to a shareholder	**–**	**16,859**	**–**	**–**	**–**	**16,859**	**16,859**
Loan from a shareholder	**–**	**4,970**	**–**	**–**	**–**	**4,970**	**4,970**
Lease liabilities	**4.65-7.26**	**667**	**–**	**–**	**–**	**667**	**610**
		150,274	**2,133**	**7,127**	**1,550**	**161,084**	**159,841**
At 31 December 2023							
Trade and other payables	–	37,576	–	–	–	37,577	37,577
Bank loans	7.04	100,215	2,623	8,416	1,993	113,247	111,296
Bank overdrafts	6.31	11,931	–	–	–	11,931	11,931
Amount due to a shareholder	–	707	–	–	–	707	707
Loan from a shareholder	3.44	434	5,422	3,815	–	9,671	9,109
Lease liabilities	4.65-7.26	10,196	2,709	–	–	12,905	12,591
		161,060	10,754	12,231	1,993	186,038	183,211

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. At 31 December 2024, the aggregate carrying amounts of these bank loans amounted to HK$107,580,000 (2023: HK$100,250,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid within two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash outflows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2024	**86,452**	**2,133**	**7,127**	**1,550**	**97,262**	**96,062**
31 December 2023	90,743	2,256	6,646	1,993	101,638	100,250

(c) Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement of financial instruments

One of the Group's financial assets is measured at fair value at the end of the reporting period. The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1		Level 2		Level 3		Valuation techniques and key inputs
	2024	2023	**2024**	2023	**2024**	2023	
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	
Financial assets at FVTOCI – unlisted equity investment	**–**	–	**–**	–	**1,201**	1,201	The fair value of the unlisted equity securities at FVTOCI, was determined by the Company, based on market approach using the forward price-to-earnings ratio.

There were no transfers between Levels 2 and 3 during the years ended 31 December 2024 and 2023.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans and overdrafts HK$'000	Amount due to/ loan from a shareholder HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2024	123,227	9,816	12,591	145,634
Financing cash flows:				
Proceeds from new bank loans	57,374	–	–	57,374
Repayment of bank loans	(76,449)	–	–	(76,449)
Advance from a shareholder	–	15,887	–	15,887
Repayment to a shareholder	–	(3,943)	–	(3,943)
Repayment of lease liabilities	–	–	(5,246)	(5,246)
Non-cash changes:				
Interest on bank loans and overdrafts	3,428	69	–	3,497
Interest on lease liabilities	–	–	281	281
Lease termination	–	–	(7,016)	(7,016)
At 31 December 2024	107,580	21,829	610	130,019

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Bank loans HK$'000	Other loans HK$'000	Amount due to/ loan from a shareholder HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2023	126,066	4,700	8,884	29,027	168,677
Financing cash flows:					
Proceeds from new bank loans	109,590	–	–	–	109,590
Repayment of bank loans	(132,547)	–	–	–	(132,547)
Repayment of other loan	–	(4,770)	–	–	(4,770)
Advance from a shareholder	–	–	1,307	–	1,307
Repayment to a shareholder	–	–	(486)	–	(486)
Repayment of lease liabilities	–	–	–	(13,094)	(13,094)
Non-cash changes:					
Interest on bank loans and overdrafts	8,303	130	199	–	8,632
Interest on lease liabilities	–	–	–	1,186	1,186
New leases entered	–	–	–	633	633
Gain on early termination of leases	–	–	–	(4,591)	(4,591)
Exchange adjustments	(116)	(60)	(88)	(570)	(834)
At 31 December 2023	111,296	–	9,816	12,591	133,703

33. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2024, the Group entered into lease arrangements in respect of lease properties and machineries. On commencement of the lease, the Group recognised right-of-use assets and lease liabilities of approximately HK$nil (2023: HK$633,000) and HK$nil (2023: HK$633,000) respectively.

(ii) On 20 July 2023, the Group purchased 13% of Guangzhou HaiJian at RMB1,050,000 by way of issuance of an aggregate of 31,120,000 new shares of the Company at total consideration of HK$1,201,000.

34. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years ended 31 December 2024 and 2023:

i) Prosperous Printing Co. (the "**Partnership**"), a partnership carried on by Mr. Lam and Ms. Yao, spouse of Mr. Lam granted to the Company exclusive right to use vehicle licenses without charge.

ii) The Company granted to the Partnership, a non-exclusive license to use of the name "Prosperous" or "萬里" without charge.

(b) Save as disclosed elsewhere in the consolidated financial statements, the Group has no other material balances with related parties as at 31 December 2024 and 2023.

(c) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in Note 13, is as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other emoluments	**4,777**	4,828
Retirement scheme contributions	**78**	82
	4,855	4,910

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK$'000	2023 HK$'000
Non-current assets		
Investments in subsidiaries	164,336	164,336
Property, plant and equipment	3,135	3,728
Financial assets at FVTOCI	1,201	1,201
	168,672	169,265
Current assets		
Trade and other receivables	483	2,262
Amounts due from subsidiaries (Note i)	134,568	122,468
Bank balances and cash	–	1,048
	135,051	125,778
Current liabilities		
Trade and other payables	4,113	6,040
Amounts due to subsidiaries (Note i)	156,343	144,598
Bank loans and overdrafts	96,764	100,844
	257,220	251,482
Net current liabilities	(122,169)	(125,704)
Total assets less current liabilities	46,503	43,561
Non-current liabilities		
Deferred tax liabilities	436	534
	436	534
NET ASSETS	46,067	43,027
Capital and reserves		
Share capital	108,490	106,319
Deficits	(62,423)	(63,292)
TOTAL EQUITY	46,067	43,027

Approved and authorised for issue by the Board of Directors on 31 March 2025 and signed on its behalf by

Lam Sam Ming
Director

Chan Sau Po
Director

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

i) The amounts are unsecured, non-interest bearing and repayable on demand.

ii) The movements in reserves of the Company are as follows:

	Capital reserve HK$'000 (Note)	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 January 2023	3,318	(68,979)	(65,661)
Profit and total comprehensive expense for the year	–	2,369	2,369
At 31 December 2023 and 1 January 2024	3,318	(66,610)	(63,292)
Profit and total comprehensive income for the year	–	869	869
At 31 December 2024	3,318	(65,741)	(62,423)

Note: Capital reserve comprises deemed contribution from the controlling shareholder in prior years.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following list contains the particulars of subsidiaries. All the subsidiaries are private companies and the class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Class of shares held	Particulars of issued and fully paid capital/registered share capital	Proportion of ownership interest held by the Company				Principal activity and place of operation
				Directly		Indirectly		
				2024 %	2023 %	2024 %	2023 %	
Printplus Limited	Hong Kong/ 18 February 2004	Ordinary	100 shares	100%	100%	–	–	Trading of books and paper products in Hong Kong
Century Sight Limited	Hong Kong/ 22 February 2008	Ordinary	100 shares	100%	100%	–	–	Investment holding
Great Wall Printing Company Limited	Hong Kong/ 23 May 2008	Ordinary	100 shares	–	–	100%	100%	Trading and production of books and paper products in Hong Kong
Prosperous Printing (HK) Company Limited	Hong Kong/ 6 July 2018	Ordinary	10,000 shares	100%	100%	–	–	Trading of books and paper products in Hong Kong
Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司) (Note)	the PRC/ 3 December 2010	Paid up	RMB60,000,000 registered capital	100%	100%	–	–	Productions of books and paper products in the PRC
Mr. Classic Inc.	British Virgin Islands ("**BVI**")/ 6 January 2016	Ordinary	50,000 shares of US$1 each	100%	100%	–	–	Investment holding
Great China Gains Inc.	BVI/ 6 January 2016	Ordinary	50,000 shares of US$1 each	100%	100%	–	–	Investment holding
Super Noble Limited	Hong Kong/ 10 March 2008	Ordinary	10,000 shares	–	–	100%	100%	Property investment in Hong Kong
Tactful Hero Limited	Hong Kong/ 10 March 2008	Ordinary	1,000 shares	–	–	100%	100%	Property investment in Hong Kong

Note: Prosperous Printing (Shenzhen) Company Limited is established in the PRC as a wholly foreign-owned enterprise. The English name is for identification purpose only.

Five-year Financial Summary

	2024 HK$'000 Note	2023 HK$'000 Note	2022 HK$'000 Note	2021 HK$'000 Note	2020 HK$'000 Note
For the year					
Revenue	**50,056**	146,206	194,827	281,810	278,944
Loss before taxation	**(46,896)**	(22,839)	(58,332)	(81,126)	(99,534)
Loss attributable to equity holders of the Company	**(45,607)**	(22,962)	(59,655)	(83,086)	(100,824)
At year end					
Total assets	**158,439**	233,777	300,499	381,317	471,355
Total liabilities	**(167,589)**	(199,516)	(242,694)	(251,032)	(263,008)
Total equity attributable to equity holders of the Company	**(9,150)**	34,261	57,805	130,285	208,347

Note:

The financial figures were extracted from the consolidated financial statements in the respective annual report.