Reach New Holdings Limited
新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8471

2022

Annual Report

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Kai Yuen ("**Mr. Gabi Lam**") *(Chief executive officer)*
Mr. Lam Kai Cheong ("**Mr. Jeffrey Lam**")
Ms. Wu, Rachel ("**Ms. Wu**") (resigned on 25 February 2022)
Ms. Ma Huilin ("**Ms. Ma**") (appointed on 25 February 2022)

Non-executive Director

Mr. Lam Cheung Chuen ("**Mr. Lam**") *(Chairman)*

Independent non-executive Directors

Mr. Moy Yee Wo, Matthew ("**Mr. Moy**")
Mrs. So Chan Wai Hang ("**Mrs. So**")
Mr. Ho Yuk Hay ("**Mr. Ho**")
Mr. Zhu Honghai ("**Mr. Zhu**") (appointed on 25 February 2022)

AUDIT COMMITTEE

Mr. Ho Yuk Hay *(Chairman)*
Mr. Moy Yee Wo, Matthew
Mrs. So Chan Wai Hang

NOMINATION COMMITTEE

Mr. Moy Yee Wo, Matthew *(Chairman)*
Mrs. So Chan Wai Hang
Mr. Ho Yuk Hay

REMUNERATION COMMITTEE

Mrs. So Chan Wai Hang *(Chairlady)*
Mr. Moy Yee Wo, Matthew
Mr. Ho Yuk Hay

REGISTERED OFFICE

PO Box 1350
Regatta Office Park
Windward 3
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Sun Tin Lun Industrial Centre
No. 6 Taihao Road
Sandong Digital Industrial Park
Sandong Town, Huizhou City
Guangdong Province, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
PO Box 1350
Regatta Office Park
Windward 3
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China, Huizhou Industrial Park Branch
Industrial and Commercial Bank of China

COMPANY SECRETARY

Mr. Chan Fei Fei *(Certified Public Accountant)*

COMPLIANCE OFFICER

Mr. Lam Kai Yuen

AUTHORISED REPRESENTATIVES

Mr. Lam Kai Yuen
Mr. Chan Fei Fei *(Certified Public Accountant)*

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong Law
ONC Lawyers
Solicitors
Hong Kong

COMPANY'S WEBSITE

www.sthl.com.hk
(information of this website does not form part of this report)

STOCK CODE

8471

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Reach New Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2022 (the "**Year**").

The PRC garment accessories market faced numerous challenges during 2022. Our business was inevitably affected by the outbreak of the COVID-19 pandemic, which caused city-wide lock-down and travel restriction in the People's Republic of China ("**PRC**"), keen price competition in the market, pressure of increasing operating costs, continuous cost reduction measures taken by the Group's customers, the advent of trade protectionism and intensifying trade frictions between the PRC and the United States of America (the "**USA**") and the slowdown of growth in the economy in the PRC. During 2022, the Group recorded revenue of approximately RMB67.3 million, representing a decrease of approximately 9.5% as compared to that of last year. The Group's gross profit for 2022 was approximately RMB19.7 million, representing an increase of approximately 10.1% as compared to that of last year.

With extensive industry experience and expertise of our Directors and management, we have used our best effort to alleviate the impact from said challenges in the market.

In order to deal with the challenging market conditions, the Group will continue to undertake cost control measures and broaden our customer base and product offerings. We will endeavor to maintain our competitive edge in our comprehensive labelling solution services, production management and customer services and to enhance our overall competitiveness and market share. In addition, the Group will continue to explore new business opportunities to diversify our income stream, including sales of garment products through different channels.

We foresee that it will be challenging for the entire garment accessories market in the upcoming years. We will continue to capture market opportunities so as to achieve a sustainable business growth and maximise the long-term benefits for our shareholders.

Finally, on behalf of the Board and the management, I wish to extend my sincere appreciation to all of our staff for their tireless efforts, diligence and contribution to the Group during 2022, and express my utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

REACH NEW HOLDINGS LIMITED
LAM CHEUNG CHUEN
Chairman and non-executive Director

Hong Kong, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. The Group mainly engages in the production of three types of products, which are (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges) and (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels). The Group also sources and sells other garment accessories, such as tapes, hanging tablets, string locks, leather badge, buttons and metal products, to the customers in the PRC. The Group's customers mainly include (i) garment brand companies, (ii) sourcing companies designated by garment brand companies and (iii) garment manufacturers in the PRC.

Looking forward, the Directors consider that the future opportunities and challenges faced by the Group will continue to be affected by the overall development of the garment market in the PRC as well as factors such as the increasing labour and material costs. The Directors are of the view that further development of garment market in the PRC, shortening of fashion cycle and the multifunction of labels remains to be the key drivers for the growth of the PRC garment accessories industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to adopt a positive yet prudent approach in its business strategies, with an aim to enhance the Group's profitability and maximise the shareholders' value in the long run.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately RMB67.3 million, representing a decrease of approximately 9.5% comparing with that of approximately RMB74.4 million for the year ended 31 December 2021. A breakdown on revenue of the Group by product types for 2022 and the comparative figures in 2021 is summarised as below:

	For the year ended 31 December			
Product types	**2022**		2021	
	RMB'000	**%**	RMB'000	%
Printed products	**25,887**	**38.5**	27,375	36.8
Woven labels	**11,321**	**16.8**	21,567	29.0
Printed labels	**17,207**	**25.6**	9,715	13.0
Others (note)	**12,836**	**19.1**	15,757	21.2
	67,251	**100**	74,414	100

Note: Others mainly include tapes, string locks, leather badge, buttons and metal products, etc..

The decrease in the Group's revenue was mainly attributable to (i) the pandemic prevention measures taken by the PRC such as city-wide lockdown and travel restrictions due to the spread of COVID-19 pandemic (the "**Pandemic**"); (ii) the continuous cost reduction measures taken by the Group's customers due to the PRC's slower economic growth, which drove down the demand in garment market; (iii) the keen price competition in garment market; and (iv) our customers' relocation of their production base to Southeast Asia for the purpose of lowering production cost.

Due to the above-mentioned economic atmosphere, the Pandemic and the keen price competition in garment market, some of the Group customers in the PRC are facing drop in garment sales order, and the Group's product is in positive correlation with the Group customers' garment sales order and hence, the Group's revenue decreased.

The Group will put more resources and effort in marketing to attract potential customers in the PRC and at the same time exploring the expansion of the customer base of the Group to PRC and foreign garment brand companies, in order to increase sales and enhance its profitability. In addition, the Group will continue to explore new business opportunities to diversify income streams, including sales of garment products through different channels.

Cost of sales and gross profit

During the year ended 31 December 2022, the Group's gross profit increased by approximately 10.1% from approximately RMB17.9 million for the year ended 31 December 2021 to approximately RMB19.7 million for the year ended 31 December 2022. The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, depreciation on machinery and utilities.

During the year ended 31 December 2022, the Group's revenue decreased by 9.5% while the cost of sales decreased by 15.9% as compared that of the previous year, as a result, the Group's gross profit margin increases from approximately 24.1% for the year ended 31 December 2021 to approximately 29.3% for the year ended 31 December 2022.

Other income, gains and losses

During the year ended 31 December 2022, the Group's other income, gains and losses decreased by approximately RMB4.6 million from approximately RMB5.4 million for the year ended 31 December 2021 to approximately RMB0.8 million for the year ended 31 December 2022. The decrease is mainly attributable to the absence of the gain on deemed disposal of an associate amounting to approximately RMB4.9 million, which was recorded during the year ended 31 December 2021.

Distribution and selling expenses

Distribution and selling expenses decreased slightly to approximately RMB3.8 million for the year ended 31 December 2022 from approximately RMB3.9 million for the year ended 31 December 2021.

Administrative expenses

Administrative expenses increased to approximately RMB23.3 million for the year ended 31 December 2022 from approximately RMB20.5 million for the year ended 31 December 2021, which was mainly due to the increase in administrative staff costs, repairing expenses for office equipment, other tax expenses and the loss on disposal of obsolete plants and equipment during the year ended 31 December 2022 comparing with those of last year. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

Income Tax expense

Income tax expense of the Group was approximately RMB0.1 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately RMB0.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Year

As a result of the foregoing, the Group's loss for the year was approximately RMB6.8 million for the year ended 31 December 2022, as compared to loss for the year of approximately RMB1.4 million for the year ended 31 December 2021. The increase in loss is mainly attributable to (i) the increase in administrative expenses during the year ended 31 December 2022 when comparing with those of last year, the reasons of which have been explained in the paragraphs above; and (ii) the absence of a gain on deemed disposal of an associate of the Group, namely Dongdong Laike (Guangzhou) Information Technology Co., Ltd.* (咚咚來客(廣州)信息技術有限公司) ("**Dongdong Laike**") (formerly known as Guangzhou Banchengyun Information Technology Co., Ltd.* (廣州半城雲信息科技有限公司)) (the "**Disposal**") of RMB4.9 millions recorded during the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had total assets of approximately RMB63.9 million (2021: approximately RMB70.4 million), which was financed by total liabilities and shareholders' equity (comprising share capital, reserves and non-controlling interest) of approximately RMB13.8 million (2021: approximately RMB13.5 million) and approximately RMB50.1 million (2021: approximately RMB56.9 million), respectively.

The Group maintained sufficient working capital as at 31 December 2022 with bank and cash balances of approximately RMB34.8 million (2021: approximately RMB29.3 million). The Board will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

GEARING RATIO

The gearing ratio of the Group as at 31 December 2022 was nil (2021: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 31 December 2022. The gearing ratio is calculated based on the total obligation under bank borrowings and overdrafts divided by total equity at the end of the year and multiplied by 100%.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. 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 other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not pledge any assets (2021: nil) as securities for any facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. As at 31 December 2022, the Group's cash and bank deposits, were mainly denominated in RMB and Hong Kong Dollar ("**HKD**"). Any significant exchange rate fluctuations of HKD against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2022, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2022, the Group did not use any financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 25 to the consolidated financial statements of the Group in the report. There has been no changes in the share capital structure of the Company during the year ended 31 December 2022.

As at 31 December 2022, the number of its issued ordinary Shares was 850,000,000 of HK$0.01 each.

DIVIDEND

No dividend in respect of the year ended 31 December 2022 (2021: nil) were declared by the Board.

COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (2021: nil).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 7 to the consolidated financial statements of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 June 2017 (the "**Prospectus**") and in this report, the Group did not have any plan for material investments or capital assets as of 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: nil).

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed a total of 216 employees (2021: 220 employees) in mainland China and Hong Kong. The staff costs, including Directors' emoluments, of the Group were approximately RMB21.9 million for the year ended 31 December 2022 (2021: approximately RMB21.8 million). Directors' emoluments for the year ended 31 December 2022 amounted to approximately RMB2.9 million (2021: approximately RMB2.7 million) which included emoluments of the independent non-executive Directors for a total amount of approximately RMB0.6 million (2021: approximately RMB0.4 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to prevailing market salary level and individual employees' performance, qualification and experience). On top of basic salaries, discretionary bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the year ended 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposure are summarised as follows:

(i) The Group's business may be seriously affected by the Pandemic or other public health incident, which may cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong and other locations;

(ii) The Group has not entered into long-term contracts with the customers of the Group and it is difficult for the Group to forecast future order quantities;

(iii) Increases in the prices of raw materials may materially and adversely affect the Group's business, financial condition and results of operations;

(iv) The Group may experience a shortage of labour or our labour costs may continue to increase;

(v) The Group faces intense competition in the garment accessories industry in the PRC;

(vi) The Group may lose its customers if its customers move their factories from the PRC;

(vii) The Group may exposed to environmental liabilities; and

(viii) The Group may be subject to potential labour disputes and labour strikes.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2022 is set out in the section headed "Five Years' Financial Summary" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the operation and production of the Group is mainly located in the PRC, the Group's operations are subject to certain environment requirements pursuant to the laws in the PRC, including primarily those in relation to prevention and reduction of pollution, water pollution control and waste disposal control.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to promote efficient use of resources and adopting green technologies for emission reduction. For instance, the Group seeks to replace the equipment by the environmental friendly machines in order to minimise overall exhaust emission.

For further information in relation to the environmental policies and performance of the Group, please refer to the Environmental, Social and Governance Report in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 December 2022.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To the best knowledge and belief of the Directors, the Group maintains good relationship with its customers. The sales personnel and merchandisers make regular phone calls to the customers and visit them overseas periodically. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken to address the complaint made by the customer.

To the best knowledge and belief of the Directors, the Group also maintains a good relationship with its suppliers. During the year ended 31 December 2022, no material complaint was received from the customers or the suppliers and there was no disputed debts or unsettled debts.

During the year ended 31 December 2022, there was no material dispute with the Group's employees and no dispute on salary payments and other labour dispute. All accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits with reference to the individual performance, work experience and prevailing salary levels in the market.

In view of the above and as at the date of the annual report, there is no circumstance or any event relating to employees, customers and suppliers which will have a significant impact on the Group's business and operation.

EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent events happened to the Group after 31 December 2022 and up to the date of this report.

USE OF PROCEEDS FROM THE LISTING AND BUSINESS OBJECTIVES

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK$37.6 million (equivalent to approximately RMB32.7 million) (the "**Net Proceeds**"). After the Listing, part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. On 28 April 2020, the Board resolved to change the use of the unutilised portion of the Net Proceeds, details of which are more particularly disclosed in the Company's announcement dated 28 April 2020. The unutilised Net Proceeds have been and will be applied according to the disclosure in the Prospectus and the announcement of the Company dated 28 April 2020.

An analysis of the utilisation of the Net Proceeds as at 31 December 2022 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds HK$'million	Utilised Net Proceeds as at 31 December 2022 HK$'million	Unutilised balance as at 31 December 2022 HK$'million	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	7.9	–	–
Developing the capability of applying RFID technology to the products of the Group	3.0	0.7	2.3	December 2023
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–
Upgrading the information technology systems of the Group	5.3	4.2	1.1	December 2023
Expansion of the sales and marketing department of the Group	3.0	2.2	0.8	December 2023
General working capital	3.3	3.3	–	–
Developing garment trading business	8.0	0.8	7.2	December 2023
Developing the internet and information technology business	3.0	3.0	–	–
Total	37.6	26.2	11.4	

There has been delay in the application of the Net Proceeds for developing the capability of applying RFID technology to the products, upgrading the information technology systems, expansion of sales and marketing department of the Group and development of garment trading business. The reasons for the delay in application were that the garment industry was disrupted by the outbreak of the Pandemic since early 2020, which caused a delay in the previous and subsequent application schedule of the Net Proceeds. With the control of the Pandemic and drop of anti-Pandemic measures in the PRC and the rest of the world, the Company will apply the unutilised portion of the Net Proceeds as and when appropriate according to the manner as disclosed in the Prospectus and the announcement of the Company dated 28 April 2020. All the unutilised balance of the Net Proceeds have been placed in licenced banks in Hong Kong or the PRC as at 31 December 2022.

USE OF NET PROCEEDS FROM THE PLACING

As per the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the "**Placing Shares**") were successfully placed to nine independent placees at the placing price of HK$0.113 per Placing Share under general mandate (the "**Placing**"). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing are HK$5.65 million and approximately HK$5.41 million, respectively (the "**Placing Proceeds**"). As disclosed in the announcement of the Company dated 3 December 2021, the Group entered into a sale and purchase agreement to dispose of the equity interest of Dongdong Laike. As such, on 3 December 2021, the Board resolved to change the use of the unutilised portion of the net Placing Proceeds to be utilised for investment in other information technology companies or projects which may be identified by the Group as suitable targets in the future.

An analysis of the unutilisation of the net proceeds from the Placing as at 31 December 2022 is set out below:

Intended use of the net proceeds from the Placing	Revised total planned amount	Utilised net proceeds from the Placing as at 31 December 2022	Unutilised net proceeds from the Placing as at 31 December 2022	Expected timeline for the intended use
	HK$'million	HK$'million	HK$'million	
Working capital in Dongdong Laike in connection with the Group's development in the information technology industry	0.3	0.3	–	–
Investment in information technology companies or projects	5.1	–	5.1	December 2023

The Company will apply the unutilised portion of the Placing Proceeds according the announcements of the company dated 13 May 2020 and 3 December 2021. During the year ended 31 December 2022, the Company has yet to identify any suitable target for the use of the Placing Proceeds. The Company will continue to identify suitable acquisition target as soon as practicable. The Company will make further announcement(s) as to update on the use of the Placing Proceeds as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus and revised by the announcement dated 28 April 2020 "Placing of new shares under general mandate change in use of proceeds from the Listing" against the Group's actual business progress up to 31 December 2022 is set out below:

Business objectives	Actual business progress up to 31 December 2022
Upgrading production facilities and digital printing technology	The Group has upgraded the production, facilities and digital printing technology.
Developing the capability of applying RFID technology to the products of the Group	The Group will develop the capability of applying RFID technology to the products of the Group according to the implementation plan as set out in the announcement.
Enhancing the heat transfer printing production facilities	The Group has enhanced its heat transfer printing production facilities by acquiring certain relevant machines and hiring additional staff for heat transfer printing production.
Upgrading the information technology system	The Group will upgrade the information technology system according to the implementation plan as set out in the announcement.
Expanding the sales and marketing department	The Group will expand the sales and marketing departments according to the implementation plan as set out in the announcement.
Developing garment trading business	The Group will develop the garment trading business according to the implementation plan set out in the announcement.
Developing the internet and information technology business	The Group has developed the internet and information technology business

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Chairman and non-executive Director

Mr. Lam Cheung Chuen (林長泉先生)

Mr. Lam, aged 69, is a founder of STL Garment Accessories and Reach New Technology. He is one of the Controlling Shareholders of the Company. He is the father of Mr. Gabi Lam and Mr. Jeffrey Lam, the executive Directors. He was appointed as the Director on 22 January 2016 and was re-designated as the non-executive Director on 26 January 2017. He also serves as the chairman of the Board. He is responsible for overseeing the overall corporate development and strategic planning of the Group.

Mr. Lam completed his primary school education in the PRC in July 1966 and was conferred Honorary University Fellowship of Hong Kong Baptist University in September 2015. Mr. Lam has over 29 years of experience in the garment accessories manufacturing industry. Since the establishment of STL Garment Accessories in December 2001 and until Mr. Gabi Lam joined in March 2006 and took up the management of the Group in August 2006, Mr. Lam had overseen the day-to-day management of STL Garment Accessories. Mr. Lam currently serves as a director of four subsidiaries of Company, namely New Forest Company Limited ("**New Forest**"), Smart Trend, STL Garment Accessories and Reach New Technology.

Mr. Lam has been an independent non-executive director of Ten Pao Group Holdings Limited (Stock code: 1979) since November 2015. Mr. Lam was a special committee member of the 11th session of and is a member of the 12th session of Huizhou City Committee of Guangdong Province of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會).

Mr. Lam holds a number of social titles including the president of the 6th council of Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會), the vice president of the 6th council of Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), a chairman of the Huizhou Division of the Federation of Hong Kong Industries of Pearl River Delta Council* (香港工業總會珠三角工業協會), the director of the Hong Kong Shine Tak Foundation (香港善德基金會) and the permanent honorary chairman of Hong Kong Baptist University Foundation (香港浸會大學基金).

Executive Directors

Mr. Lam Kai Yuen (林啟源先生) ("Gabi Lam")

Mr. Gabi Lam, aged 39, was appointed as the Director on 22 January 2016 and was re-designated as the executive Director on 26 January 2017. He is responsible for overseeing the overall strategic planning, business development and day-to-day management of the Group's operations.

Mr. Gabi Lam obtained a bachelor's degree of business in management with distinction from the Queensland University of Technology in October 2004. He then obtained a master's degree of business in entrepreneurship from the University of Queensland in December 2005. Mr. Gabi Lam has over 15 years of experience in the garment accessories manufacturing industry since he joined the Group in March 2006. He was then appointed as the general manager of STL Garment Accessories and Reach New Technology in August 2006, being responsible for overseeing the factory operations of these companies, and gradually took up the management of the Group from Mr. Lam.

Mr. Gabi Lam currently serves as a director of four subsidiaries of the Company, namely New Forest, Smart Trend, STL Garment Accessories and Reach New Technology. He is also the chief executive officer of the Group. Mr. Gabi Lam is the son of Mr. Lam and the elder brother of Mr. Jeffrey Lam.

* *for identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Kai Cheong (林啟昌先生) ("Jeffrey Lam")

Mr. Jeffrey Lam, aged 33, was appointed as the Director on 22 January 2016 and was re-designated as the executive Director on 26 January 2017. He is responsible for overseeing the overall strategic planning, business development and day-to-day management of the Group's operations.

Mr. Jeffrey Lam graduated from the University of Bath with a bachelor's degree of science in accounting and finance in June 2012. Mr. Jeffrey Lam has around 9 years of experience in the garment accessories manufacturing industry. He was appointed as director of Reach New Technology in April 2007 and joined STL Garment Accessories in August 2012 as general manager assistant, assisting Mr. Gabi Lam in overseeing the factory operations of these companies.

Mr. Jeffrey Lam currently serves as a director of three subsidiaries of the Company, namely Smart Trend, STL Garment Accessories and Reach New Technology. He is also the accounting manager of Smart Trend. He is the son of Mr. Lam and the younger brother of Mr. Gabi Lam.

Ms. Ma, Huilin (馬慧琳女士)

Ms. Ma Huilin, aged 48, was appointed as an executive Director of the Company on 25 February 2022. Ms. Ma graduated from the tertiary course in economics and management from Shanghai Party Institute of CPC (中共上海市委黨校), the PRC in 2006. Ms. Ma is currently a masters' degree candidate of business administration in international business at the Hong Kong Metropolitan University. Ms. Ma had 25 years' experience working in sales and marketing. From 2005 to 2021, she was the marketing director and vice president of Shanghai Yitong Automobile Service Co., Ltd.* (上海怡通汽車銷售服務有限公司), an automobile dealership company in PRC. She is currently a general manager in Shenzhen Xinda Business Consulting Co., Ltd. (深圳市新達商業顧問有限公司), an indirect wholly-owned subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Moy Yee Wo, Matthew (梅以和先生)

Mr. Moy Yee Wo, Matthew, aged 44, was appointed as the independent non-executive Director on 24 June 2017. He is the chairman of the nomination committee and a member of the audit committee and remuneration committee.

Mr. Moy graduated from the Hong Kong University of Science and Technology with a bachelor's degree of business administration in accounting in November 2001 and a master's degree of business administration in April 2008. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 2005.

Mr. Moy has over 15 years of experience in various sections of the finance industry including audit, corporate finance and asset management. Prior to joining the Group, Mr. Moy worked for Deloitte Touche Tohmatsu from September 2001 to July 2006, and his last position held was senior accountant in the audit department. He then worked for UBS Securities Co. Limited as an associate from June 2008 to October 2008, and participated in a telecommunication restructuring project. From October 2008 to April 2009, he worked for Business Development Asia (HK) Limited as an associate and participated in various merger and acquisition transactions. He also worked as a type 9 (asset management) licensed representative in VL Asset Management Limited from July 2011 to August 2012, managing an equity portfolio. From August 2012 to January 2019, he served as the chief financial officer and company secretary of China Silver Group Limited, a company listed on the Stock Exchange (stock code: 815). Since 12 February 2019, he has been the chief financial officer and company secretary of Apollo Future Mobility Group Limited, a company listed on the Stock Exchange (stock code: 860). Since 22 February 2017 and 28 October 2022, Mr. Moy has also been an independent non-executive director of Chi Ho Development Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8423) and Janco Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8035), respectively.

Mr. Zhu Honghai (朱洪海先生)

Mr. Zhu Honghai, aged 43, was appointed as an independent non-executive of the Company on 25 February 2022. Mr. Zhu obtained a bachelor's degree in law from Sun Yat-sen University, the PRC in 2004. Mr. Zhu was qualified as a lawyer in the PRC and is currently a lawyer in B&D Law Firm (Shenzhen)* (北京市北斗鼎銘(深圳)律師事務所).

Mrs. So Chan Wai Hang (蘇陳偉香女士), also known as **Ms. Chan Wai Hang (陳偉香女士)**, SBS, BBS

Mrs. So Chan Wai Hang, aged 73, was appointed as the independent non-executive Director on 24 June 2017. She is the chairlady of the remuneration committee and a member of the audit committee and nomination committee.

Mrs. So completed her secondary education in Hong Kong in July 1967 and was conferred Honorary University Fellowship of Hong Kong Baptist University in September 2016. She has extensive experience in the manufacturing industry and has been engaged in such business for over 41 years. She has been the managing director of Yue Wing Cheong Manufactory Limited, which principally engages in the business of manufacturing handbags, since November 1980, during which she has been responsible for the overall management and strategic development of the company. She has also been the vice chairlady of Winnie Sanitary Product Limited since February 2013 which principally engage in the business of manufacturing sanitary products and she has been responsible for the overall management and strategic development of the company. Mrs. So was awarded Bronze Bauhinia Star and Silver Bauhinia Star by the Government of Hong Kong on 1 July 2015 and 1 July 2021 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Yuk Hay (何旭晞先生)

Mr. Ho Yuk Hay, aged 43 was appointed as the independent non-executive Director on 24 June 2017. He is the chairman of the audit committee and a member of the remuneration committee and nomination committee.

Mr. Ho graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in November 2001 and a master's degree in corporate governance in October 2012. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2005. He has also been associate member of both the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly Know as the Institute of Chartered Secretaries and Administrators) since February 2013.

Mr. Ho has over 20 years of experience in auditing and accounting. He worked for Deloitte Touche Tohmatsu from September 2001 to April 2011, and his last position held was senior manager in the audit department. He then worked for Sino Splendid Holdings Limited (formerly known as HONGKONG.COM CORPORATION and China.com Inc.), a company listed on the Stock Exchange (stock code: 8006), as financial controller from April 2011 to September 2012 and as the chief financial officer from September 2012 to October 2015. He also worked for Sinoref Holdings Limited (now known as Cybernaut International Holdings Company Limited), a company listed on the Stock Exchange (stock code: 1020), as executive director from October 2013 to October 2014 and as company secretary from February 2014 to January 2015. He has been the company secretary of GCL New Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 451), since October 2015.

Senior Management

Mr. Chan Fei Fei (陳非非先生) ("Mr. Chan"), aged 41, is the financial controller of the Group and is primarily responsible for overseeing the financial management of the Group. Mr. Chan joined the Group on 1 September 2016. He graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in December 2005. He passed the third level in accounting examined by London Chamber of Commerce and Industry Examinations Board with credit in 2001. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2009.

Mr. Chan has over 14 years of experience in auditing, accounting and financial management. Prior to joining the Group, he worked for Deloitte Touche Tohmatsu from August 2005 to December 2010, and his last position held was senior in the audit department. During the period between December 2010 and May 2011, he joined Casablanca International Limited as finance manager. From May 2011 to July 2012, he worked as financial controller of Interior Contract International Limited. He then worked as financial control director of Toneluck Industrial Limited from August 2012 to September 2014. From January 2015 to June 2015, he worked as finance manager of Sin Tin Lun (H.K.) Garment Accessories Company Limited.

Save as the above, each of the Director and member of the senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the members of the Board and senior management.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2022, to the best knowledge of the Board, the Company has complied with all applicable code provisions of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam is the chairman of the Board and Mr. Gabi Lam is the chief executive officer of the Group during the year ended 31 December 2022.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out below in this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in code provision A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

CORPORATE GOVERNANCE REPORT

Composition of the Board

Up to the date of this annual report, the Board comprises eight Directors, including one non-executive Director, three executive Directors and four independent non-executive Directors (the "**INED**"). The composition of the Board is set out as follow:

Non-executive Director
Mr. Lam Cheung Chuen

Executive Directors
Mr. Lam Kai Yuen
Mr. Lam Kai Cheong
Ms. Wu Rachel (resigned on 25 February 2022)
Ms. Ma Huilin (appointed on 25 February 2022)

Independent non-executive Directors
Mr. Moy Yee Wo, Matthew
Mrs. So Chan Wai Hang
Mr. Ho Yuk Hay
Mr. Zhu Honghai (appointed on 25 February 2022)

Ms. Wu Rachel, who was appointed as an executive Director on 18 June 2021, resigned as an executive Director on 25 February 2022. In compliance with rules 5.05(1) and 5.05(2) of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 31 December 2022, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. During the Year and as of the date of this report, the number of INEDs represents more than one-third of the Board as required under rule 5.05A of the GEM Listing Rules. As such, there is a strong independent element in the Board to provide independent judgement.

In accordance with code provision C.3.3 of the CG Code, the Company has entered into a letter of appointment with each of the INEDs under which each INED is appointed for a fixed term (subject to re-election). Each of the letter of appointment is for a fixed term of one year initially commencing from the Listing Date and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof. Specific enquiry has been made by the Company of each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received confirmations from all of the four INEDs as to their independence. Based on the confirmations received, the Company considers all the INEDs to be independent under the GEM Listing Rules.

Pursuant to Article 84 of the articles of association of the Company (the "**Articles**"), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Saved as disclosed below and in the section "Biographical Details of Directors and Senior Management" in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Board Diversity Policy

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the CG Code, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company recognises and benefits from the diversity of Board members. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed:

- To attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents;
- To maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives;
- To assess regularly the diversity profile of the Board and, where applicable, senior management prepared for the Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any;
- To ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered;
- To set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions; and
- To ensure that changes to the Board's composition can be managed without undue disruption.

While appointments of all members of the Board will continue to be made on a merit basis, the Company will ensure that the Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skill, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The goal of the Board diversity is to ensure that a balanced composition of skill, experience and expertise offered by different Directors in the Board can provide a wider range of prospective, insights and solutions to the Company and enable the Board to discharge its duties effectively and support the sustainable growth of the Company in the long run.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

The Board had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation was sufficient and effective.

CORPORATE GOVERNANCE REPORT

Board Diversity

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one female member with immediate effect and may further increase in the next five years. During the Year and as at the date of this Report, the Board comprised two female Board members, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

Workforce Diversity

The Group strictly adheres to fair and appropriate employment practices and labour standards. With an anti-discriminatory and equal-opportunity policy in place, the Group provides job applicant and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age.

As at 31 December 2022, the Group had a total of 216 staff members (including members of the senior management but excluding Directors). The gender composition of the staff members (including members of the senior management but excluding Directors) was approximately 44.4% male staff members and 55.6% female staff members.

The Board considered that gender diversity of the workforce of the Group has been well maintained during the Year. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the balance of gender diversity in the foreseeable future.

Board and General Meetings

During the Year, five Board meetings were held. The annual general meeting of the Company for 2021 was held on 3 May 2022 (the "**2022 AGM**").

The attendance record of each Director at the Board meeting for the Year and 2022 AGM is set out in the table below:

	Number of Attendance/ number of Board Meetings	Attendance to the 2022 AGM
Executive Directors		
Mr. Lam Kai Yuen	5/5	Yes
Mr. Lam Kai Cheong	5/5	Yes
Ms. Wu, Rachel (resigned on 25 February 2022)	1/1	N/A
Ms. Ma Huilin (appointed on 25 February 2022)	3/4	Yes
Non-executive Director		
Mr. Lam Cheung Chuen	5/5	Yes
Independent non-executive Directors		
Mr. Moy Yee Wo, Matthew	5/5	Yes
Mrs. So Chan Wai Hang	5/5	Yes
Mr. Ho Yuk Hay	5/5	Yes
Mr. Zhu Honghai (appointed on 25 February 2022)	4/4	Yes

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors as the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company has made specific enquiry to each of the Directors as to the compliance of the Model Code and each of the Director confirmed that they have fully complied with the Model Code during the year ended 31 December 2022. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2022.

Corporate Governance Functions and Conduct of Meetings

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions as set out in code provision A.2.1 of the Code, such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Code provision C.5.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are required to be given. An agenda and accompanying board papers are sent to all Directors at least three days before each Board meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Directors also have separate independent professional advice at the Company's expense to assist them in performing their duties to the Company if necessary. Minutes of all Board meetings recording sufficient details of matters considered and decisions made are duly kept by the secretary of the meetings and open for inspection on reasonable notice by the Directors.

Mechanism ensuring sufficient independence views to the Board

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

- The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the GEM Listing Rules from time to time).

- Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

Independence Assessment

- The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

- Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.

- The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.

Decision Making

- All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

- All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.

- The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

All the Directors understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills. During the year ended 31 December 2022, the Directors have complied with the code provision C.1.4 of the CG Code by participating sufficient relevant continuous professional training.

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 a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee (the "**Audit Committee**") has been established on 24 June 2017 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions D.3.3 and D.3.7 of the CG Code; a remuneration committee (the "**Remuneration Committee**") has been established on 24 June 2017 with its terms of reference in compliance with code provision E.1.2 of the CG Code; and a nomination committee (the "**Nomination Committee**") has been established on 24 June 2017 with its terms of reference in compliance with code provision B.3.1 of the CG Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the CG Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.sthl.com.hk) and the website of the Stock Exchange.

All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Company has established the Audit Committee on 24 June 2017 with its written terms of reference in compliance with code provisions D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Ho Yuk Hay, Mr. Moy Yee Wo, Matthew and Mrs. So Chan Wai Hang, all being independent non-executive Directors. Mr. Ho Yuk Hay currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2022.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.28 of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others, the following (for the complete terms of reference, please refer to the Group's website at www.sthl.com.hk or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor, and approve the remuneration and terms of engagement of the Company's external auditor;

2. to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditor to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly report and review significant financial reporting judgments contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;

6. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

7. to review the Company's financial reporting, financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

8. to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective systems;

9. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

10. to review the financial and accounting policies and practices of the Group;

11. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and

14. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Year and up to the date of this report.

The members of the Audit Committee should meet at least twice a year. During the Year, four Audit Committee meetings were held.

The attendance records of the members of the Audit Committee are summarised below:

Members of the Audit Committee	Number of attendance
Mr. Ho Yuk Hay (Chairman)	4/4
Mr. Moy Yee Wo, Matthew	4/4
Mrs. So Chan Wai Hang	4/4

The following is a summary of the works performed by the Audit Committee during the Year:

(a) reviewed the Group's consolidated financial result for the year ended 31 December 2022, first quarterly results for the three months ended 31 March 2022, interim results for the six months ended 30 June 2022 and third quarterly results for the nine months ended 30 September 2022 before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) discussed the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) reviewed the accounting principles and practices adopted by the Group and other financial reporting matters.

There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the Year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mrs. So Chan Wai Hang (Chairlady), Mr. Moy Yee Wo, Matthew and Mr. Ho Yuk Hay, all being independent non-executive Directors of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among other things, the following (for the complete terms of references, please refer to the Group's website at www.sthl.com.hk or the website of the Stock Exchange):

1. to consult the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The members of the Remuneration Committee should meet at least once a year. During the Year, two meeting of the Remuneration Committee was held and has, inter alia, (i) reviewed the proposed remuneration packages of the newly appointed Directors during the Year; and (ii) reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

The attendance records of the members of the Remuneration Committee are summarised below:

Members of the Remuneration Committee	Number of attendance
Mrs. So Chan Wai Hang (Chairlady)	2/2
Mr. Moy Yee Wo, Matthew	2/2
Mr. Ho Yuk Hay	2/2

The emolument payable to the Directors depends on their respective contractual terms under the service contracts or the appointment letters (as the case may be), and as recommended by the Remuneration Committee. Details of the Directors' emoluments are set out in note 11 to the consolidated financial statements.

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and are subject to shareholders' approval.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Moy Yee Wo, Matthew (Chairman), Mrs. So Chan Wai Hang and Mr. Ho Yuk Hay, all being independent non-executive Directors of the Company.

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include, among other things, the following (for the complete terms of reference please refer to the Group's website at www.sthl.com.hk or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of INEDs; and

5. to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

The members of the Nomination Committee should meet at least once a year. During the year, two meetings of the Nomination Meeting was held. The Nomination Committee has, during the Year, conducted the following tasks:

(i) reviewed and considered the structure, size and composition of the Board;

(ii) assessed the independence of the INEDs;

(iii) reviewed and considered the skills, experience, qualifications and education background of Ms. Ma Huilin in relation to her appointment as an executive Director. The Nomination Committee and the Board formed the view that, with Ms. Ma's rich experience in sales and marketing in the PRC, Ms. Ma would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives of the Board, thereby enhancing the diversity and effectiveness of the Board;

(iv) reviewed and considered the skills, experience, qualifications, education background and independence of Mr. Zhu Honghai in relation to his appointment as an INED. The Nomination Committee and the Board formed the view that, with Mr. Zhu's qualification as a PRC lawyer and his legal knowledge and expertise, Mr. Zhu would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives of the Board, thereby enhancing the diversity and effectiveness of the Board; and

(v) considered the Directors to retire and reappoint at the forthcoming annual general meeting of the Company (the "**2023 AGM**").

The attendance records of the members of the Nomination Committee are summarised below:

Members of the Nomination Committee	Number of attendance
Mr. Moy Yee Wo, Matthew (Chairman)	2/2
Mr. Ho Yuk Hay	2/2
Mrs. So Chan Wai Hang	2/2

Nomination policy

The Board has adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

(i) the candidate's character and integrity;

(ii) the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;

(iii) any measurable objectives adopted for achieving diversity on the Board;

(iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;

(v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(vi) willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

(i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) Upon compilation and interview of the list of potential candidates, the relevant Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.

(ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") in compliance with F.1.1 of the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. Summary of the Dividend Policy is set out below:

(i) In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things of the Group:

  a. operating and financial results;

  b. cash flow situation;

  c. business conditions and strategies;

  d. future operations and earnings;

  e. taxation consideration;

  f. interim dividend paid, if any;

g. capital requirement and expenditure plans;

h. interests of shareholders;

i. statutory and regulatory restrictions;

j. any restrictions on payment of dividends; and

k. any other factors that the Board may consider relevant.

(ii) The payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands and the Articles. Any final dividends declared by the Company must be approved by an ordinary resolution of the shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

(iii) The Board endeavours to strike a balance between the shareholders' interests and prudent capital management with a sustainable Dividend Policy. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

The Company will review the Dividend Policy from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2022, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered	
	2022	2021
	HK$'000	HK$'000
Statutory audit services	**880**	880
Non-audit services	**nil**	nil

During the Year, the auditor did not perform any non-audit services to the Group.

COMPANY SECRETARY

Mr. Chan Fei Fei was appointed as the company secretary of the Company on 26 January 2017. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman of the Board and are responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company and management. During the year ended 31 December 2022, the company secretary has taken no less than 15 hours of relevant professional training according to Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Gabi Lam, an executive Director, is the compliance officer of the Group. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted an annual review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions for the Year. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the sound and effective internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation. The Board, together with the Audit Committee, would conduct annual review on the internal control and risk management system of the Group on an annual basis. Upon conducting the annual review on the internal control and risk management systems of the Group, the Audit Committee and the Board were satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the professional advices and opinions from the external professional company by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the GEM Listing Rules.

The Directors are of the view that the consolidated financial statements of the Group for the year has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this annual report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc.

At the AGM, the shareholders will be given the opportunity to raise questions to the Directors (including the INEDs). The external auditor of the Company is also invited to be present at the AGM to address the queries of the shareholders concerning the audit procedures and the auditor's report.

The 2023 AGM will be held on Friday, 5 May 2023, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting upon shareholders' requisition

The shareholders shall be entitled to convene an extraordinary general meeting (the "**EGM**") on requisition by shareholders pursuant to Article 64 of the Articles that the Board may, whenever it thinks fit, convene an EGM on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director (signed by a member duly qualified to attend and vote at the meeting), notice in writing by that person of his willingness to be elected and the biographical details of that person as required under Rule 17.50(2) of the GEM Listing Rules for publication by the Company shall have been lodged at the head office or at the registration office of the Company, provided that the minimum length of the period during which such notices to the Company may be given shall be at least 7 days and that (if such notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of the notices required under this Article will commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.sthl.com.hk and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

CORPORATE GOVERNANCE REPORT

The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

Shareholders' Meetings

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sthl.com.hk) and by post to the Shareholders.

- The Directors, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.

- The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sthl.com.hk) subsequent to the close of the general meetings.

Corporate Communications

- The Company will send (by post or by electronic means as permitted by the Articles or the GEM Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the Shareholders.

- Shareholders are encouraged to provide their up-to-date contact details to the Hong Kong branch share registrar of the Company in order to facilitate timely and effective communications.

Company's Website

- The Company's website (www.sthl.com.hk) provides the Shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.

- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange's website (www.hkexnews.hk), press releases and newsletters issued by the Company from time to time are also available on the Company's website to facilitate communication between the Company, Shareholders and investment community.

- Information on the Company's website is updated on a regular basis.

Communication with the Company

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, or by the following means:

Telephone number: (852) 3525 1275
Email address: info@sthl.com.hk

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company highly values the view and comment by the Shareholders' and relevant stakeholders to the Company and would invite the Shareholders' and relevant stakeholders to communicate with the Company by employing the abovementioned means. In view of the above shareholders' communication means and measures adopted by the Company, the Board is of the view that the shareholders' communication policy implemented during the Year was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

Pursuant to special resolutions of the then sole shareholder passed on 24 June 2017, the Articles were adopted by the Company with effect from the Listing Date. On 25 March 2022, the Board announced its proposal to amend its Articles in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022. At the 2022 AGM, a special resolution was passed to adopt the amendments to the Articles, which are summarised below:

(i) to specify that the Company shall hold an annual general meeting within six months after the end of the Company's financial year;

(ii) to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the GEM Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;

(iii) to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more Shareholders holding not less than one tenth (1/10th) of the paid up capital of the Company having the right of voting at general meetings, such Shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;

(iv) to provide that the branch register of Shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and

(v) to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the GEM Listing Rules.

For further information in relation to the amendments to the Articles, please refer to the announcement of the Company dated 25 March 2022 and the circular for the 2022 AGM dated 30 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Reach New Holdings Limited (the "**Company**") is pleased to present our Environmental, Social and Governance Report ("**ESG Report**") for the financial year ended 31 December 2022. The report involves environmental and social impacts, policies and initiatives of the Company and our subsidiaries ("**the Group**") to demonstrate our continuous commitment to sustainability.

The present scope of ESG Report covers the operating core activities of the Group's headquarters and subsidiaries, which include labelling solution management and garment accessories production. This report highlights our sustainability activities spanning over the period from 1 January 2022 to 31 December 2022.

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 20 of the GEM Listing Rules. Those aspects and key performance indicators ("**KPI**") defined in the ESG Reporting Guide which are considered to be relevant and material to the Group's businesses and operations will be presented under the four subject areas, namely: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investment. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this report for reference.

In order to define what are relevant and material to our business in relation to sustainability, the Group has to understand what issues our stakeholders are most concerned with. We define our stakeholders as people who affect our business and people who are affected by our business. Our stakeholders include the shareholders, employees, suppliers, customers and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintain long-term partnerships with our stakeholders and are actively engaged in addressing their concerns with follow-up actions.

If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group's sustainability issues, please contact us via info@sthl.com.hk.

2. ENVIRONMENTAL PROTECTION

2.1 Corporate Environmental Policy

Being the foundation of a sustainable economy, a sustainable environment is crucial to the well-being of human beings. In accordance with our environmental vision, the Group is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws or ordinances during the operation of the business, including all necessary requirements under the Environmental Protection Law of the PRC. As at 31 December 2022, the Group was in compliance with the applicable regulations and rules governing air and greenhouse gas emission, discharges into water and land, and generation of hazardous and non-hazardous waste. We have received FSC certification for our products which meet the requirements of chain-of custody by purchasing FSC certified mixed and recycled paper, production and sales of FSC certified mixed and recycled printed paper products. We have also achieved Oeko-Tex standard 100 Confidence in Textiles which certified that our woven labels made of white & dyed polyester yarn (with disperse dyestuffs) and woven badges made of white and dyed polyester yarn (with disperse dyestuffs) and polyester interlining in black and white meet the human ecological requirements of the Oeko-Tex Standard 100.

2.2 Climate Change Mitigation

We recognize that the accelerated climate change will lead to extreme weather events, such as tropical cyclone, severe rainstorm and thunderstorm which ultimately threaten business operations and result in possible financial loss. As such, We encourage paperless solution for documents storage, material sharing or internal administrative documents. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents. It considerably improves operational efficiency while helping create a paperless operation system. Most of the used paper can be recycled and such materials were collected by waste collector.

Potential climate-related risks faced by the Group include physical risks such as extreme weather events and rise in sea level, and as policy and regulatory risks, market risks and reputational risks. The below table shows our response in managing various risks brought by the climate change that the Group may be facing.

Table 1 — Climate-Related Risks and Opportunities

	Specifics	Adverse Impacts/Benefits	Our Response and Actions
RISKS			
Physical Risks	Increased frequency and severity of extreme weather events, such as typhoons, wildfire, rain and flooding, which may affect us from providing services, and damage our facilities and products	Increased operating and maintenance costs	Monitoring and strengthening environmental risk prevention
		Loss of revenue	Implementing natural disasters emergency plan
		Increased chance of extreme weather-related injuries which affect employees' health and safety	Conducting preventive measure and flexible working arrangement

	Specifics	Adverse Impacts/Benefits	Our Response and Actions
Policy and Regulatory Risks	Governments around the world enact more stringent regulatory trends in relation to climate change and environmental protection at home and abroad	Increased compliance cost	Regularly monitoring the regulatory trends Monitoring and strengthening environmental risk prevention
Market and Reputational Risks	Change in customer preferences and behaviours for green products and services	Reduced revenue due to the decrease in demand for current products and services	Ongoing study of application of recycled materials Control and reduction of hazardous materials in products and new design Strengthening development of green products and new designs
OPPORTUNITIES			
Products, Services and New Design	More low-carbon, energy saving technologies are in need	Introduction of new technology to boost product competitiveness	Exploring new environmental technologies Strengthening development of green products and new designs Optimization of energy and resources consumption

2.3 Energy Efficiency Management

Electricity consumption of our plant is the major contribution to our greenhouse gas emission and energy footprints. In 2022, the Group adopted a number of energy-saving initiatives and efficiency practices to enhance our employee's awareness for greenhouse gas emission reduction and energy saving, including:

- electrical machinery improvement;
- encouraging digital printing to reduce the utilisation of water, electricity, screen films and other resources;
- encouraging the employees to turn off IT devices when not in use;
- setting office machines such as copiers and TV monitors to turn off automatically after office hours;
- maintaining an indoor temperature at an optimal level for comfort; and
- putting up signage emphasizing the importance of energy saving.

By adopting the above practices, our employee's awareness for greenhouse gas emission reduction and energy saving is enhanced.

2.4 Non-Hazardous Waste Management

Believing that every small step will make a difference, the Group is as committed as ever to conserving precious resources by taking eco-friendly measures to reduce disposal of non-hazardous waste throughout our operation.

Against the backdrop of accelerated climate change, we encourage paperless solution for documents storage, material sharing or internal administrative documents. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents. It considerably improves operational efficiency while helping create a paperless operation system. Most of the used paper can be recycled and such materials were collected by waste collector.

2.5 Environmental Performance

The Group considers environmental stewardship an essential component of our corporate responsibility and are therefore exceptionally committed to promoting environmental protection activities in harmony with economic development.

In accordance with the ESG Reporting Guide, our environmental performance of "Energy Use and Emissions" and "Use of Resources" during the reporting period are presented as below.

Table 2 — Energy Use and Emissions

Energy Use and Emissions	Unit	2022
Electricity Consumption	kWh	1,858,868
Electricity Consumption Intensity	kWh/revenue (in RMB)	0.031
Greenhouse Gas Emissions	CO_2e (tonne)	1,569
Nitrogen Oxides	kg	33.9
Sulphur Oxides	kg	76.3
Particulate Matter	kg	96.1

Table 3 — Use of Resources

Use of Resources	Unit	2022
Paper	tonne	566

In the future, the Group will continue to raise employees' awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Employment and Labour

Human capital has always been considered by the Group as the most important asset for our long-term operation and business development, thus the Group is committed to upholding an open, fair, just and reasonable human resource policy.

Equality and diversity is highly respected in our corporate philosophy during the process of employment, remuneration, promotion and termination. According to our employee inclusion policy, we strictly follow the relevant laws and regulations and our employment policies to select candidates based on skillsets, experience and expertise and offer equal employment opportunities to different genders, age groups and nationalities. It is the Group's policy to prohibit the use of child and forced labour and our human resource department is responsible to closely monitor the practical situation in order to comply with the applicable regulations related to child labour and forced labour.

The Group safeguards the rights of our employees by strictly complying with the requirements under the employment-related legislations in Hong Kong and the Labour Law of the PRC and offers a competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees.

Employees hired by the Group are mainly located in Hong Kong and China. In Hong Kong, the Group safeguards the rights of our employees by strictly complying with relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, the Minimum Wage Ordinance, Employment Ordinance and the Employees' Compensation Ordinance by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

The Group also reviews the corporate policy of employment and labour regularly to ensure that the Group has fully complied with the local labour legislations and regulations.

As at 31 December 2022, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare and relating to preventing child and forced labour in all material respects.

In accordance with the ESG Reporting Guide, the details of the workforce of the Group during the reporting period of 2022 are tabulated as well as presented in graphs below.

Summary of employment performance indicators:

	2022
Total Number of Employees	216
By Gender	
Female	120 (55.6%)
Male	96 (44.4%)
By Age	
18 or below	–
19 to 40	89
41 to 60	122
Over 60	5

Diversity

	2022					
Number of Employees by Employee Category	**Gender**		**Age Group**			
	Female	**Male**	**18 or Below**	**19 to 40**	**41 to 60**	**Over 60**
Senior level	14	23	–	5	29	3
Ordinary level	106	73	–	84	93	2

Turnover Rate

	2022
Number and Rate (%) of Employee Turnover	20/216 (9.3%)
By Gender	
Female	6/120 (5.0%)
Male	14/96 (14.6%)

3.2 Training and Development

Believing that the competence, work experience and skill-sets of our staff, including sales and marketing staff, procurement staff, production staff and quality control staff, plays an important role in maintaining our operation efficiency. We ensure that our professional training and development programs continuously evolve to keep pace with the industry latest standards and create a listening culture through support and coaching.

Every new joiner will be provided proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous trainings are also committed by the Group in different ways including on-the-job training, comprehensive training for specific skill development, and professional training for relevant employees.

In 2022, we organized an internal training for our management in different departments and in different management level for the updated management skill in the aspect of customer management, supplier management, effectiveness and efficiency of communication skill, key performance index for assessment of staff performance, efficiency of daily operation flow and thematic courses such as anti-corruption. Throughout the training, we also updated our management in relation to the Group's internal control procedures and delivered the importance of cost effectiveness in different processes of operation.

Through a variety of on-the-job learning sessions, we are able to nurture and retain excellent talents and strengthen the competitiveness of the Group.

In accordance with the ESG Reporting Guide, the details of the of training and development programs provided by the Group during the reporting period of 2022 are presented as below.

Table 4 — Training and Development

Employee Training	Unit	2022
Average hours of training received per employees	hours	**2.5**
Average hours of training per employee by gender		
Female	hours	**2.5**
Male	hours	**2.5**
Average hours of training per employee by ranking		
Senior level	hours	**7.8**
Ordinary level	hours	**1.4**
Percentage of training by gender		
Female	%	**73.5**
Male	%	**74.8**
Percentage of training by ranking		
Senior level	%	**100**
Ordinary level	%	**70.6**

3.3 Health and Work Safety

It is important for the Group as a production-driven enterprise to ensure the occupational health and safety of our employees. In compliance with the industry standards and the statutory requirements under the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Group is committed to providing our employees with a healthy and safe workplace in the course of its business. On the one hand, the Group has offered our employees with personal protective equipment based on their various positions. For example, the staff at production line will be provided with dust-proof masks and earplugs. On the other hand, the Group has organised regular safety education programs for our employees to raise their safety awareness over the course of production activities. In addition, the plant sites will organise fire drills and fire safety training each year to enhance the fire safety awareness of our employees.

The Group cares about the physical and mental health of our employees and provides our employees with regular health checks. By providing a full-range health service platform for our employees, the Group maintains the health level of our employees with precautions against the spread of diseases, thus ensuring the healthy conditions of our employees. The Group offers our employees an extensive range of fringe benefits, including lucky money or festive gifts to our employees on Chinese New Year, Mid-autumn Festival, Women's Days, and other statutory holidays.

The outbreak of the novel coronavirus (2019-nCoV) during the year has become the latest challenge for the health of our staffs both in Hong Kong and China. The Group has several policy to protect its staff:

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

— Provide mask and disinfection supplies to all staff;

— Request each staff to report their health status every day; and

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

As at 31 December 2022, the Group has complied with all applicable laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards in all material respects.

4. OPERATING PRACTICES

The Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by HKEX.

4.1 Supply Chain Management

Over the course of selecting potential suppliers, our procurement department is required to analyse their competitiveness, and identified suppliers will be further approved by the production department of the plant sites and other related departments following their consensus. In this case, they will qualify as a member on the qualified supplier list of the Group. As at 31 December 2022, the Group has over 267 suppliers which are all located in the PRC.

In accordance with the requirements under the ISO 9001:2008 quality management system, the Group has established a set of selection and assessment standards, and would investigate into the operating conditions, the quality management system, production capacities, services and delivery capabilities of the potential suppliers, such findings will serve as bases for selecting strategic suppliers. By introducing a regular assessment scheme, we conduct regular reviews and inspections over the performance of our suppliers in various aspects. Our regular assessment indicators cover quality, pricing, delivery schedule, services, etc. for the purposes of achieving risk control over the supply chain. We would also inspect suppliers' qualification certificates such as FSC certificate and Oeko-Tex certificate. Persisting in our stringent approval system for all strategic suppliers, the Group will promote the quality management of our suppliers of raw materials and green management, while timely disqualifying unfit suppliers.

4.2 Quality Management System

We have implemented and maintained a quality management system of high standard. We maintain the quality by achieving ISO 9001:2008 certification continuously to demonstrate that we have ability to consistently provide services that meet our customers' needs and fulfill applicable statutory and regulatory requirements.

4.3 Intellectual Property Rights

The Group is committed to complying with the relevant intellectual property right ("**IP rights**") laws by maintaining effective control over production management. As at 31 December 2022, the Group had registered five trademarks which are material to the Group's business. The Group values and protects its intellectual properties through periodic trademark renewals.

In order to ensure that the customer's IP rights are properly protected during the outsourcing processes to subcontractors, a confidentiality agreement regarding IP rights must be signed before business engagement. Internally, we enter into standard employment contracts with our employees which contain provisions on IP rights and confidentiality. Each employee of the Group has signed a written confirmation to (i) confirm that all IP rights created or made during their employment with the Group shall belong to us; and (ii) agree not to use or disclose the confidential information relating to the product designs without authorisation of the Group. When the products designs are provided by the customers to the Group for product development, IP rights of such designs belongs to the customers. IP rights also belong to customers when the Group provides design inputs or polish the original product design from customer.

Due to the nature of our business, the Group may be subject to risks in relations to the IP rights of the garment brand companies and the Group may be exposed to claims in respect of the infringement of third party IP rights. Therefore, to ensure that the trademarks or the designs and specifications provided by our customers do not infringe third party's IP rights during the course of business, we have implemented the following internal control measures:

(i) obtain the relevant certificates, licences or authorisations to check if our customers have the right to authorise us to manufacture products with the relevant trademarks, designs or specifications;

(ii) our sales and marketing department check the trademarks, designs or specifications through online databases maintained by IP rights registries in various countries to ascertain the name of the owners of the IP rights; external legal counsel will be consulted, if necessary; and

(iii) incorporate terms in agreements with our customers and require them to, among others, (a) undertake that it is the registered owner/authorised licensee of the registered owner of the trademarks, designs or specifications; (b) hold us harmless from and against any and all third party claims and any associated cost, including legal costs, arising from the use of the products sold by our customers.

4.4 Anti-Corruption

The Group is committed to upholding a high standard of business ethics and to standards to prohibit bribery and corrupt practices. The Group has developed a series of company policies on anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong). These policies apply to all members of the Group, and we also encourage all of our business partners to abide by the principles of the policies. The Group conducts periodic and systematic fraud risk assessments and will effectively communicate its anti-fraud policy and procedures to all levels of employees. The Group continues to monitor the effectiveness of its control related to mitigating fraud risk and remedy any deficiencies identified internally and by any external parties in a timely manner.

We encourage directors and senior management to take part in professional training sessions and seminars with topics generally including occupational safety, corporate governance, business development and strategy in order for them to develop and refresh their knowledge and skills. We additionally provided the management with a series of thematic courses to strengthen and refresh their knowledge, leadership and management skills, covering various topics stipulated in different ordinances, rules and guidelines. Latest applicable laws, rules and regulations are circulated with employees and directors from time to time.

During the reporting period, we were in compliance with the applicable rules and regulations relating to bribery, extortion, fraud and money laundering in all material respects. No legal case concerned with corrupt practices was brought against the Group or any of our employees in 2022.

With principles of "Commitment, Assurance of High Quality, Fair Deals and Faithfulness", all employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

4.5 Whistle-Blowing Policy

In order to encourage our employees to report illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions, the Group has set up a new whistle-blowing policy and procedures during the reporting period, by provoking disclosure of relevant information via a confidential reporting channel available to all employees. The policy aims to encourage our employees to report behaviour that is not in line with the principles of ethics and the Group's policy such as events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control.

The Group is committed to handling the reports with due care and conducting a detailed investigation seriously for each reasonably established report. Additionally, the Group is fully aware that we are obligated to refer the matter to the legal enforcement parties or regulators if the Group considers necessary.

The Group has addressed the "whistle-blowers" concerns in a fair and reasonable manner. All "whistle-blowers" who report in good faith are reasonably protected from retaliation or adverse consequence of their employment regardless of whether the allegation is substantiated.

The policy of "Whistle-Blowing" and its procedures, which apply to all levels of the members of the Group, have been documented in the employee handbook and have been circulated among employees for their reference.

5. COMMUNITY INVESTMENT

The Group adopts people-oriented management policy. Besides providing fringe benefits and packages to our employees, the Group will conduct an investigation into employees with difficulties on a regular basis each year, and those employees who suffer severe health issues or experience family-related misfortunes will receive specific assistance.

In 2022, continuing our objections as in the past, the Group donated to non-profit and charitable organizations of RMB225,000.

6. THE STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection: 2.1, 2.3 & 2.4	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection: 2.5	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection: 2.5	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group has not identified any hazardous waste that was produced by our core business

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	–	No significant non-hazardous waste was produced by our core business
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	Environmental Protection: 2.3	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Environmental Protection: 2.4	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	Environmental Protection: 2.1, 2.3 & 2.4	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection: 2.5	
KPI A2.2	Water consumption in total and intensity	–	The Group believes that our water consumption is mainly used for commercial purpose and is not identified as material aspect in the Group's business
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection: 2.3	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	–	The Group believes that our water consumption is mainly for commercial use and is not identified as material aspect in the Group's business
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business and is not identified as material aspect in the Group's business
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection: 2.1 & 2.5	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection: 2.3 & 2.4	
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Environmental Protection: 2.1, 2.2 & 2.4	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Environmental Protection: 2.2	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices: 3.1	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices: 3.1	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices: 3.1	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices: 3.3	
KPI B2.1	Number and rate of work-related fatalities	–	No work-related fatalities were recorded during the reporting period
KPI B2.2	Lost days due to work injury	–	No lost days due to work injury were recorded during the reporting period
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices: 3.3	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices: 3.2	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices: 3.2	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices: 3.2	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices: 3.1	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices: 3.1	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	–	No such incidents were reported during the reporting period

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices: 4.1	
KPI B5.1	Number of suppliers by geographical region	Operating Practices: 4.1	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices: 4.1	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Operating Practices: 4.1	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Operating Practices: 4.1	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	–	No applicable regulations have been identified for the Group's operation and compliance purpose
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	No incidents were reported during the reporting period
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	No complaints were reported during the reporting period
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Operating Practices: 4.3	
KPI B6.4	Description of quality assurance process and recall procedures	–	No recall procedures are required throughout the Group's operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices: 4.3	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices: 4.4	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Operating Practices: 4.4	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Operating Practices: 4.5	
KPI B7.3	Description of anti-corruption training provided to directors and staff	Employment and Labour Practices: 3.2 Operating Practices: 4.4	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes communities' interests into consideration	Community Investment: 5	
KPI B8.1	Focus areas of contribution	Community Investment: 5	
KPI B8.2	Resources contributed to the focus areas	Community Investment: 5	

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the financial year ended 31 December 2022 as follows:

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there had been no significant changes in the memorandum of association and Articles of the Company.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 January 2016.

In preparing for the listing of the shares on GEM on the Listing Date, the Group underwent the Corporate Reorganisation and the Company became the holding company of the companies comprising the Group upon the completion of the Corporate Reorganisation on 30 November 2016.

Details of the Corporate Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The Shares of the Company have been listed on GEM since 21 July 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. We mainly engage in the production of three types of products, which are (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges) and (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels). We also source and sell other garment accessories, such as tapes, hanging tablets, string locks, leather badge, buttons and metal products, to the customers of the Group in the PRC. The customers of the Group mainly include (i) garment brand companies, (ii) sourcing companies designated by the garment brand companies and (iii) garment manufacturers in the PRC.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), including a discussion of the principal risks and uncertainties facing the Group, key performance indicators, environmental policies of the Group, compliance with laws and regulations by the Group, its relationship with customers, suppliers, subcontractors and employees and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 12 of this annual report. This discussion forms part of this directors' report.

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 7 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

The Board did not recommend payment of a final dividend for the year ended 31 December 2022.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 75 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement during the Year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company has no reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 June 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provision of Chapter 23 of the GEM Listing Rules. During the year ended 31 December 2022, no option under the Scheme were granted, lapsed, exercised or cancelled and there was no outstanding option under the Scheme as at 31 December 2022.

Details of the share options movements during the year ended 31 December 2022 under the Share Option Scheme are set out in note 29 to the consolidated financial statements.

In line with the amended Chapter 23 of the GEM Listing Rules, which was effective from 1 January 2023, the following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity which is an associated company of any member of the Group (the "**Invested Entity**"). As at the Latest Practicable Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

(b) The Participants of the Scheme

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any employee (whether full time or part time, including the directors (including any non-executive Director and independent non-executive Director)) of our Company, any of our subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an "**eligible employee**");

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(c) Maximum number of Shares

(i) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 80,000,000 Shares (the "**General Scheme Limit**"). As at 31 December 2022, there were 80,000,000 share option available for grant under the Share Option Scheme, representing approximately 9.4% of the issued share capital of the Company. There was no service provider sublimit set under the Share Option Scheme during the year ended 31 December 2022.

(ii) Without prejudice to (iii) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit every three years, provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.

(iii) Without prejudice to (ii) above, our Company may seek separate shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in (ii) above to eligible participants specifically identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such grantees and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(f) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(g) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 21 July 2027).

DISCLOSURES OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in the company

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Mr. Lam	Interest in controlled corporation (Note)	433,400,000 (Long position)	50.99%

Note: The 433,400,000 Shares are held by Neo Concept Holdings Limited ("**Neo Concept**"), which is wholly and beneficially owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in all the Shares held by Neo Concept.

Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares in associated corporation	Percentage of shareholding in associated corporation
Mr. Lam	Neo Concept	Beneficial owner	100 (Long position)	100%

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under 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 would 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, required to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

So far as the Directors are aware, as at 31 December 2022, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name	Capacity/nature of interest	Number of shares	Percentage of interest in the Company
Neo Concept	Beneficial owner	433,400,000 (Long position)	50.99%
Ms. Wong Ching Yuk	Interest of spouse (Note)	433,400,000 (Long position)	50.99%

Note: Ms. Wong Ching Yuk is the spouse of Mr. Lam. Under the SFO, Ms. Wong Ching Yuk is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 46.4% (2021: 39.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 32.0% (2021: 27.1%) 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.

MAJOR SUPPLIERS AND SUBCONTRACTORS

During the Year, the Group's five largest suppliers (including the subcontractors) accounted for approximately 46.0% (2021: 31.4%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 19.9% (2021: 12.7%) of the total purchases.

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.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Non-executive Director

Mr. Lam Cheung Chuen *(Chairman)*

Executive Directors

Mr. Lam Kai Yuen
Mr. Lam Kai Cheong
Ms. Wu, Rachel (appointed on 18 June 2021 and resigned on 25 February 2022)
Ms. Ma Huilin (appointed on 25 February 2022)

Independent non-executive Directors

Mr. Moy Yee Wo, Matthew
Mrs. So Chan Wai Hang
Mr. Ho Yuk Hay
Mr. Zhu Honghai (appointed on 25 February 2022)

Information regarding directors' emoluments is set out in note 11 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs. The Nomination Committee was satisfied that each of the INEDs was independent within the meaning of Rule 5.09 of the GEM Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years and renewable automatically for successive terms of one year until terminated by the Director or the Company in accordance with the terms of the agreement. Each independent non-executive Directors was appointed under a letter of appointment for a fixed term of one year and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof.

Save as disclosed above, none of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

DIRECTORS' RETIREMENT AND RE-ELECTION

Pursuant to Article 108 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 112 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Articles 108 and 112 of the Articles, Mr. Lam Kai Cheong, Ms. Ma Huilin, Mr. Ho Yuk Hay and Mrs. So Chan Wai Hang will retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Scheme.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close 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 year ended 31 December 2022.

DEED OF NON-COMPETITION

The deed of non-competition dated 29 June 2017 has been entered into by Mr. Lam Cheung Chuen and Neo Concept Holdings Limited, being the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the "**Controlling Shareholders**") in favour of the Company and its subsidiaries regarding certain non-competition undertakings. The details of the deed of non-competition have been disclosed in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that he/she/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition during the Year. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied for the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

PERMITTED INDEMNITY PROVISIONS

At no time during the Year was there any permitted indemnity provisions (whether made by the Company or otherwise) being in force for the benefit of any Directors of the Company, or of its associated company.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group with 史威特服飾(惠州)有限公司 Sweater Garment (Huizhou) Company Limited* ("**Sweater Garment (Huizhou)**") and Good Wealthy Properties Limited ("**Good Wealthy**") during the Year as set out in note 27 to the consolidated financial statements are connected transactions which are subject to the reporting but are exempt from the announcement requirements and the independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

The related party transactions in relation to the key management personnel remuneration as disclosed in note 27 to the audited consolidated financial statements are connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

Save as disclosed above, the Directors consider that those related party transactions disclosed in note 27 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group did not enter into any connected transactions, save and except for the connected transactions which were entered into in the previous years:

Tenancy Agreements entered into between Sweater Garment Huizhou, STL Garment Accessories and Reach New Technology

On 1 January 2023, Sweater Garment (Huizhou) entered into tenancy agreements with 新天倫服裝配料(惠州)有限公司 (Sun Tin Lun Garment Accessories (Huizhou) Company Limited*) ("**STL Garment Accessories**") and 新達科技(惠州)有限公司 Reach New Technology (Huizhou) Company Limited* ("**Reach New Technology**"), respectively (collectively, the "**Current Tenancy Agreements**"), pursuant to which Sweater Garment (Huizhou) agreed to lease the following properties to the Group for a eleven-months term commencing on 1 January 2023 and ending on 30 November 2023, details as follows:

Address	Tenant	Use of the property	Gross floor area under the Current Tenancy Agreements (sq.m.)
1st, 2nd, 3rd and portion of the 5th Floor, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, PRC ("**Property 1**")	STL Garment Accessories	Factory and office	14,253 approximately
Portion of the 5th Floor, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, PRC ("**Property 2**")	Reach New Technology	Office	500 approximately

Sweater Garment (Huizhou), which is owned as to 100% by Sweater Garment (HK) Limited and is beneficially owned as to 60% by Mr. Lam Cheung Chuen, the non-executive Director and controlling shareholder of the Company. Therefore, Sweater Garment (Huizhou) is a subsidiary of a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Lam Cheung Chuen and the connected person of the Group under Rule 20.07(4) of the GEM Listing Rules. Mr. Huang Yasan and Mr. Huang Qingzi, being the brother and cousin of the spouse of Mr. Lam Cheung Chuen, respectively, are also our connected persons. Each of them holds 20% of the issued share capital of Sweater Garment (HK) Limited, respectively.

Since the highest applicable percentage ratio relating to the total rental expenses under the Current Tenancy Agreements was less than 5% and the total consideration is less than HK$3,000,000 (by using the then exchange rate between RMB and Hong Kong Dollar), the transactions contemplated thereunder were fully exempt from annual review, all disclosure requirements and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

* *For identification purpose only*

Tenancy Agreements entered into between Good Wealthy Properties Limited and Smart Trend Enterprises Company Limited ("Smart Trend")

On 1 January 2023, Good Wealthy entered into a tenancy agreement ("**Office Tenancy Agreement**") with Smart Trend, pursuant to which Good Wealthy agreed to lease the following properties to the Group for a eleven-months term commencing on 1 January 2023 and ending on 31 30 November 2023, details as follows:

Address	Tenant	Use of the property	Gross floor area under the Tenancy Agreements (sq.ft.)
Portions of Room 203, 2nd floors, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	Smart Trend	Office	approximately 270

Good Wealthy is indirectly owned as to 60% by Mr. Lam Cheung Chuen, the non-executive Director and controlling shareholder of the Company. Therefore, Good Wealthy is a subsidiary of a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Lam Cheung Chuen and the connected person of the Group under Rule 20.07(4) of the GEM Listing Rules. Mr. Huang Yasan and Mr. Huang Qingzi, being the brother and cousin of the spouse of Mr. Lam Cheung Chuen, respectively, are also our connected persons. Each of them indirectly holds 20% of the issued share capital of Good Wealthy.

Since the highest applicable percentage ratio relating to total rental expenses under the Office Tenancy Agreement was less than 5% and the total consideration is less than HK$3,000,000, the transactions contemplated thereunder were fully exempt from annual review, all disclosure requirements and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

AUDITOR

The consolidated financial statements for the Year have been audited by McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"). McMillan Woods shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of McMillan Woods as auditor of the Company will be proposed at the 2023 AGM. The Company has not changed its external auditor during the year ended 31 December 2022 and up to the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2022 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" on pages 17 to 35 of this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to RMB225,000 (2021: RMB55,000).

EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent events happened to the Group after 31 December 2022 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 2 May 2023 to Friday, 5 May 2023, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholder of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 28 April 2023.

On behalf of the Board
Reach New Holdings Limited
Lam Cheung Chuen
Chairman and Non-Executive Director

Hong Kong, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

长青

TO THE SHAREHOLDERS OF REACH NEW HOLDINGS LIMITED
新達控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Reach New Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "the **Group**") set out on pages 74 to 125, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses	
Refer to notes 6(c) and 18 to the consolidated financial statements	
We identified the allowance for credit losses as a key audit matter due to the significance of the amount of trade receivables to the consolidated financial statements and the significant judgement and estimates involved by management in determining the allowance for credit losses. As disclosed in notes 4(t) and 18 to the consolidated financial statements, in determining the allowance for credit losses, the Group takes into consideration the historical default rates and changes in forward-looking information. As at 31 December 2022, the carrying amount of the Group's trade receivables is approximately RMB10,787,000 (net of allowance for credit losses of approximately RMB1,158,000).	In connection with the assessment of appropriateness of the allowance for credit losses, we have performed the following procedures: (1) Obtaining an understanding of management's process of assessing the allowance for credit losses of trade receivables including the use of provision matrix; (2) Evaluating the appropriateness of groupings of trade receivables having similar loss patterns; (3) Evaluating the reasonableness of management's determination of the provision rates based on internal credit ratings; (4) Assessing the reasonableness of the historical default rates and taking into consideration of the forward-looking information; and (5) Testing the accuracy of management's calculation of the allowance for credit losses for trade receivables.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
24/F., Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

Hong Kong, 24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	**67,251**	74,414
Cost of sales		**(47,502)**	(56,479)
Gross profit		**19,749**	17,935
Other income, gains and losses	8	**790**	5,365
Allowance for credit losses on trade receivables, net		**(41)**	(19)
Distribution and selling expenses		**(3,752)**	(3,855)
Administrative expenses		**(23,281)**	(20,507)
Finance cost on lease liabilities		**(126)**	(246)
Loss before tax		**(6,661)**	(1,327)
Income tax expense	9	**(89)**	(109)
Loss and total comprehensive expense for the year	10	**(6,750)**	(1,436)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(6,743)**	(1,408)
Non-controlling interests		**(7)**	(28)
		(6,750)	(1,436)
		RMB cents	RMB cents
Loss per share	13		
— Basic		**(0.79)**	(0.17)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**9,348**	11,602
Intangible assets	15	**848**	893
Right-of-use assets	16	**–**	2,414
		10,196	14,909
CURRENT ASSETS			
Inventories	17	**4,094**	3,605
Trade receivables	18	**10,787**	14,817
Prepayments and other receivables	18	**3,825**	2,645
Financial assets at fair value through profit or loss	19	**–**	4,900
Amount due from non-controlling interests	20	**200**	200
Bank and cash balances	21	**34,812**	29,309
		53,718	55,476
CURRENT LIABILITIES			
Trade payables	22	**6,538**	4,879
Other payables and accruals	22	**6,311**	4,898
Leases liabilities	23	**–**	2,882
Tax payable		**870**	781
		13,719	13,440
NET CURRENT ASSETS		**39,999**	42,036
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,195**	56,945
NON-CURRENT LIABILITIES			
Deferred tax liability	24	**55**	55
TOTAL NON-CURRENT LIABILITIES		**55**	55
NET ASSETS		**50,140**	56,890
CAPITAL AND RESERVES			
Share capital	25	**7,321**	7,321
Reserves		**42,685**	49,428
		50,006	56,749
Non-controlling interests		**134**	141
TOTAL EQUITY		**50,140**	56,890

The consolidated financial statements on pages 74 to 125 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Mr. Lam Cheung Chuen
DIRECTOR

Mr. Lam Kai Yuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company						
	Share capital RMB'000	**Share premium** RMB'000 (Note 1)	**Other reserve** RMB'000 (Note 2)	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2021	7,321	41,488	14,145	(4,797)	58,157	169	58,326
Loss and total comprehensive expense for the year	–	–	–	(1,408)	(1,408)	(28)	(1,436)
At 31 December 2021 and 1 January 2022	7,321	41,488	14,145	(6,205)	56,749	141	56,890
Loss and total comprehensive expense for the year	–	–	–	(6,743)	(6,743)	(7)	(6,750)
At 31 December 2022	**7,321**	**41,488**	**14,145**	**(12,948)**	**50,006**	**134**	**50,140**

Note:

1. Pursuant to the Companies law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

2. As part of the group reorganisation for the listing of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), there were series of restructuring within the Group which mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company's share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 ("**新天倫服裝配料**") and Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) ("**Reach New Technology**") (formerly known as 新天倫服裝輔料(惠州)有限公司), the indirect wholly-owned subsidiaries of the Company established in the People's Republic of China (the "**PRC**"), was credited to other reserve on 30 November 2016.

* *English name is for identification purpose.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(6,661)**	(1,327)
Adjustments for:			
Depreciation of property, plant and equipment		**2,912**	2,793
Amortisation of intangible assets		**149**	151
Allowance for credit losses on trade receivables, net		**41**	19
Gain on deemed disposal of an associate		**–**	(4,900)
Depreciation of right-of-use assets		**2,414**	2,419
Finance cost on lease liabilities		**126**	246
Bank interest income		**(66)**	(69)
Loss on disposal of property, plant and equipment		**522**	167
Exchange loss, net		**10**	148
Operating loss before movements in working capital		**(553)**	(353)
Decrease in financial assets at FVTPL		**4,900**	–
Increase in inventories		**(489)**	(204)
Decrease (increase) in trade receivables		**3,989**	(200)
(Increase) decrease in prepayments and other receivables		**(1,180)**	3,440
Increase (decrease) in trade payables		**1,659**	(372)
Increase in other payables		**1,413**	1,248
Cash generated from operations		**9,739**	3,559
Interest on lease liabilities paid		**(126)**	(246)
NET CASH FROM OPERATING ACTIVITIES		**9,613**	3,313
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,180)**	(3,222)
Purchase of intangible assets		**(104)**	–
Repayment from an associate		**–**	504
Bank interest received		**66**	69
Proceeds on disposal of property, plant and equipment		**–**	194
NET CASH USED IN INVESTING ACTIVITIES		**(1,218)**	(2,455)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(2,882)**	(2,767)
NET CASH USED IN FINANCING ACTIVITIES		**(2,882)**	(2,767)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,513**	(1,909)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**29,309**	31,366
Effect of foreign exchange rate changes		**(10)**	(148)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**34,812**	29,309
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	21	**34,812**	29,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Reach New Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2016 and its shares are listed on GEM of Stock Exchange in July 2017. Its registered office is located at PO Box 1350, Regatta Office Park, Windward 3, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is located at Sun Tin Lun Industrial Centre, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, the PRC. Its parent company is Neo Concept Holdings Limited, a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling party is Mr. Lam Cheung Chuen ("**Mr. Lam**"), who is the chairman and also a non-executive director of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are principally engaged in production and supply of garment accessories in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

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

Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Annual Improvements Project	*Annual Improvements to HKFRS Standards 2018–2020*
Amendments to Accounting Guideline 5	*Merger Accounting for Common Control Combinations*

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

For the year ended 31 December 2022

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2022. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

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

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

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

Leasehold improvements	10%
Machinery	10%–50%
Motor vehicles	20%
Office equipment	20%
Furniture and fixtures	20%

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

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

(d) Leases

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

The Group as a lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leases *(Continued)*

The Group as a lessee *(Continued)*

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

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred as if it were not a lease modification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(f) Inventories

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

(g) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 fair value through profit or loss are recognised immediately in profit or loss.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Recognition and derecognition of financial instruments *(Continued)*

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

(h) Financial assets

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

Debt investments

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

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

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

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

Equity investments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

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

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit loss ("**ECL**").

(k) Financial liabilities and equity instruments

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

(l) Trade and other payables

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

(m) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue and other income

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

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

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

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(q) Government grants

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

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

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

(r) Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Taxation *(Continued)*

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

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

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

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

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

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

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

(s) Impairment of non-financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of non-financial assets *(Continued)*

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

(t) Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

Significant increase in credit risk

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

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk *(Continued)*

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

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

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

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

Definition of default

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

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

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

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

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities

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

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

(v) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Significant increase in credit risk

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

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

(a) Impairment assessment of non-financial assets

Property, plant and equipment, intangible assets and right-of-use assets are reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined at the higher of value in use or the fair value less costs of disposal.

Determination as to whether and how much an asset is impaired involves management estimates and judgements such as growth rates of business volume, gross margin and the pre-tax discount rate for value in use. Judgement is required by the directors to determine key assumptions adopted and changes to key assumptions and estimates can significantly affect the results of the impairment reviews.

Details of the impairment assessment are disclosed in note 14.

The carrying amount of property, plant and equipment, intangible assets and right-of-use assets as at 31 December 2022 were approximately RMB9,348,000 (2021: RMB11,602,000), RMB848,000 (2021: RMB893,000) and RMBNil (2021: RMB2,414,000), respectively.

(b) Impairment of trade receivables

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

As at 31 December 2022, the carrying amount of trade receivables was approximately RMB10,787,000 (net of allowance for credit losses of approximately RMB1,158,000) (2021: approximately RMB14,817,000 (net of allowance for credit losses of approximately RMB1,117,000)).

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sales. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

No allowance for inventories due to the net realisable value below cost has been recognised for the year ended 31 December 2022 (2021: Nil).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in currencies other than the functional currencies of the Group's entities including Hong Kong dollars ("**HK$**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2022, if RMB had weakened 5 per cent against the HK$ with all other variables held constant, consolidated loss before tax for the year could have been approximately RMB34,000 (2021: RMB82,000) lower, arising mainly as a result of the foreign exchange gain on bank balances denominated in HK$. If RMB had strengthened 5 per cent against HK$ with all other variables held constant, consolidated loss before tax for the year would have been approximately RMB34,000 (2021: approximately RMB82,000) higher, arising mainly as a result of the foreign exchange loss on bank balances denominated in HK$.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

As at 31 December 2021, if the price of financial assets at FVTPL, details of which are set out in note 19 to the consolidated financial statements, increase/decrease by 10% post tax loss would have been approximately of RMB367,000 lower/higher, arising as a result of the fair value gain/loss of the financial assets at FVTPL. The Group did not expose to equity price risk as at 31 December 2022 since the Group has disposed of the financial assets at FVTPL during the year.

(c) Credit risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2022 and 2021:

	2022		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**–**	**7,267**	**–**
1–90 days past due	**5**	**3,640**	**182**
91–180 days past due	**10**	**41**	**4**
181–365 days past due	**50**	**51**	**26**
More than 365 days past due	**100**	**946**	**946**
		11,945	**1,158**

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	–	10,486	–
1–90 days past due	5	4,337	217
91–180 days past due	10	42	4
181–365 days past due	50	347	174
More than 365 days past due	100	722	722
		15,934	1,117

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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

	2022 RMB'000	2021 RMB'000
At 1 January	**1,117**	1,276
Impairment losses recognised for the year	**340**	395
Write-offs	**–**	(178)
Reversals	**(299)**	(376)
At 31 December	**1,158**	1,117

Financial assets at amortised cost

Other than trade receivables, all of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses. Other receivables and amount due from a related party are considered to be low credit risk when they have a low risk of default and the debtors has a strong capacity to meet its contractual cash flow obligations in the long term.

(d) Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022					
Trade payables	–	6,538	–	6,538	6,538
Other payables	–	5,537	–	5,537	5,537
Total		12,075	–	12,075	12,075

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021					
Trade payables	–	4,879	–	4,879	4,879
Other payables	–	4,409	–	4,409	4,409
Lease liabilities	4.35	3,010	–	3,010	2,882
Total		12,298	–	12,298	12,170

(e) Interest rate risk

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

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

Sensitivity analysis on cash flow interest-rate risk has not been presented as the reasonably possible changes in market interest rate will not have significant impact on the Group's consolidated financial statements.

(f) Categories of financial instruments at 31 December

	2022 RMB'000	2021 RMB'000
Financial assets:		
Financial assets at FVTPL	**–**	4,900
Financial assets measured at amortised cost	**48,758**	45,401
	48,758	50,301
Financial liabilities:		
Financial liabilities at amortised cost	**12,075**	9,288

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair value measurement

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

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

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

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

Fair value hierarchy as at 31 December 2021

Financial assets at FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment	–	–	4,900	4,900

During both year, there were no transfer between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	Unlisted equity securities
	RMB'000
At 1 January 2021	–
Reclassification of remaining interest from investment in an associate to financial assets at FVTPL	4,900
At 31 December 2021 and 1 January 2022	4,900
Disposal of financial assets at FVTPL	(4,900)
At 31 December 2022	–

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022:

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair value measurement *(Continued)*

Level 3 fair value measurements as at 31 December 2021

Description	Valuation technique	Unobservable Inputs	Range	Effect on fair value for increase of input	Fair value
					RMB'000
Unlisted equity securities classified as financial assets at FVTPL	Market approach	Price to sales multiple	3.96–4.68	Increase	4,900

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The management reports directly to the Board of Directors for these fair value measurements.

Discussions of valuation processes and results are held between the management and the Board of Directors at least four times a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

7. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2022	2021
	RMB'000	RMB'000
Types of products — Timing of revenue recognition — at a point in time		
Sales of printed products	**25,887**	27,375
Sales of woven labels	**11,321**	21,567
Sales of printed labels	**17,207**	9,715
Others	**12,836**	15,757
	67,251	74,414

Types of customers

	2022	2021
	RMB'000	RMB'000
Garment brand companies	**2,623**	1,837
Sourcing companies designated by garment brand companies	**21,511**	20,410
Garment manufacturers	**43,117**	52,167
	67,251	74,414

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

The Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, they also have the primary responsibility to sell and bear the risk of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery. The Group also provides information technology services to customers and revenue is recognised when it satisfies a performance obligation by transferring control over a product or service to a customer.

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive Directors of the Company, for the purposes of allocating resources and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(i) Labelling Solution – production and supply of garment accessories

(ii) Information Technology – development of application and provision of information technology consultancy services

The operating segment of Information Technology was discontinued in the current year upon the completion of the Disposal.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's results by operating segments:

For the year ended 31 December 2022

	Labelling Solution RMB'000	Information Technology RMB'000	Total RMB'000
Segment revenue			
External sales	**67,251**	**–**	**67,251**
	67,251	**–**	**67,251**
Segment results	**12,066**	**–**	**12,066**
Other income, gains and losses			**790**
Administrative expenses			**(19,517)**
Loss before taxation			**(6,661)**
Other Segment Information:			
Depreciation of property, plant and equipment	**1,356**	**–**	**1,356**
Depreciation of right-of-use assets	**2,259**	**–**	**2,259**
Allowance for credit losses on trade receivables, net	**41**	**–**	**41**
Finance cost on lease liabilities	**126**	**–**	**126**
Amortisation of intangible assets	**149**	**–**	**149**
Additions to segment non-current assets	**104**	**–**	**104**

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2021

	Labelling Solution RMB'000	Information Technology RMB'000	Total RMB'000
Segment revenue			
External sales	74,414	–	74,414
	74,414	–	74,414
Segment results	10,072	4,900	14,972
Other income, gains and losses			465
Administrative expenses			(16,764)
Loss before taxation			(1,327)
Other Segment Information:			
Depreciation of property, plant and equipment	1,333	–	1,333
Depreciation of right-of-use assets	2,259	–	2,259
Allowance for credit losses on trade receivables, net	19	–	19
Finance cost on lease liabilities	246	–	246
Amortisation of intangible assets	151	–	151

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results mainly represent profit earned (loss incurred) by each segment without allocation of certain other income, other gains and losses, central administrative expenses, distribution and selling expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The Group's revenue from operations are located in the PRC. Most of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

Information about major customers

Revenue from a customer that individually contributing over 10% of the total sales are as follows:

	2022	2021
	RMB'000	RMB'000
Customer A	**21,511**	20,194

8. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	RMB'000	RMB'000
Bank interest income	**66**	69
Government subsidy (Note)	**464**	128
Gain on deemed disposal of an associate	**–**	4,900
Others	**260**	268
	790	5,365

Note: During the year ended 31 December 2022, the amount mainly represented the government subsidy received by the Group from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region. There are no unfilled conditions or other contingencies attaching to the grant.

During the year ended 31 December 2021, the Group has received the government grants by the PRC as a one-off financial support for the staff training. There are no unfilled conditions or other contingencies attaching to these grants.

9. INCOME TAX EXPENSE

	2022 **RMB'000**	2021 RMB'000
Current tax:		
Provision for the year	**89**	109

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the year ended 31 December 2022 (2021: Nil).

The Group is subject to the PRC Enterprise Income Tax (the "**PRC EIT**") at a rate of 25% (2021: 25%) and dividend withholding tax at a rate of 5% (2021: 5%) for the year ended 31 December 2022, except 新天倫服裝配料(惠州)有限公司 which qualified as High and New Technology Enterprises and entitled to the preferential tax rate of 15% for the year ended 31 December 2022 and 2021.

Current tax provision represents provision for the PRC EIT.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(6,661)**	(1,327)
Tax at the PRC EIT rate of 25% (2021: 25%)	**(1,665)**	(332)
Effect of preferential tax benefits on assessable profits of a subsidiary incorporated in the PRC	**(102)**	(124)
Tax effect of income not taxable for tax purpose	**(108)**	(1,360)
Tax effect of expenses not deductible for tax purpose	**1,913**	93
Tax effect of tax losses not recognised	**51**	1,832
Tax expense for the year	**89**	109

10. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**2,885**	2,699
Other staff costs		
— salaries and wages	**16,580**	16,942
— retirement benefits scheme contribution excluding directors	**2,391**	2,112
Total directors and other staff costs	**21,856**	21,753
Allowance for credit losses on trade receivables, net	**41**	19
Auditor's remuneration	**756**	731
Cost of inventories recognised as cost of sales	**43,348**	48,791
Depreciation on property, plant and equipment	**2,912**	2,793
Depreciation of right-of-use assets	**2,414**	2,419
Amortisation of intangible assets	**149**	151
Loss on disposal of property, plant and equipment	**522**	167
Exchange loss, net	**10**	148

Cost of inventories recognised as cost of sales includes staff costs, depreciation on property, plant and equipment and right-of-use assets of approximately RMB13,830,000 (2021: RMB12,540,000) which are included in the amounts disclosed separately.

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' emoluments

Details of the emoluments paid or payable to directors are as follows:

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
2022					
Executive directors					
Mr. Lam Kai Yuen	–	646	–	15	661
Mr. Lam Kai Cheong	–	600	–	15	615
Ms. Ma Huilin (appointed on 25 February 2022)	–	130	–	5	135
Ms. Wu, Rachel (appointed on 18 June 2021 and resigned on 25 February 2022)	–	26	–	1	27
	–	1,402	–	36	1,438

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Non-executive director					
Mr. Lam	–	847	–	–	847

The non-executive director's emoluments shown above were for his service as director of the Company and its subsidiaries.

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Independent Non-executive directors					
Mr. Ho Yuk Hay	155	–	–	–	155
Mr. Moy Yee Wo, Matthew	155	–	–	–	155
Mrs. So Chan Wai Hang	155	–	–	–	155
Mr. Zhu Honghai (appointed on 25 February 2022)	130	–	–	5	135
	595	–	–	5	600

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' emoluments *(Continued)*

Executive directors and non-executive director of the Group are entitled to bonus payments which based on the Group's performance for the relevant year.

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
2021					
Executive directors					
Mr. Lam Kai Yuen	–	648	–	15	663
Mr. Lam Kai Cheong	–	648	–	15	663
Ms. Wu, Rachel (appointed on 18 June 2021 and resigned on 25 February 2022)	–	80	–	4	84
	–	1,376	–	34	1,410

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Non-executive director					
Mr. Lam	–	842	–	–	842

The non-executive director's emoluments shown above were for his service as director of the Company and its subsidiaries.

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Independent Non-executive directors					
Mr. Ho Yuk Hay	149	–	–	–	149
Mr. Moy Yee Wo, Matthew	149	–	–	–	149
Mrs. So Chan Wai Hang	149	–	–	–	149
	447	–	–	–	447

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' emoluments *(Continued)*

Employees' remuneration

The five highest paid employees of the Group during the year included three directors (2021: three directors), details of whose emoluments are set out above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and allowances	**1,066**	1,006
Retirement benefits scheme contribution	**26**	26
	1,092	1,032

Their emoluments fell within the following bands:

	2022 Number of employees	2021 Number of employees
Nil to HK$1,000,000 (Equivalent to Nil to RMB784,000)	**2**	2

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

Directors material interests in transactions, arrangements or contracts

Save as disclosed in note 27 to the consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12. DIVIDEND

No dividend in respect of the years ended 31 December 2022 and 2021 were declared and approved by the directors.

13. LOSS PER SHARE

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

	2022	2021
	RMB'000	RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(6,743)**	(1,408)

	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**850,000,000**	850,000,000

No diluted loss per share is presented for the years ended 31 December 2022 and 2021 as there were no potential ordinary share in issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machinery	Motor vehicles	Office equipment	Furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2021	12,535	28,208	1,286	5,473	1,060	48,562
Additions	–	3,125	–	83	14	3,222
Disposal	–	(496)	–	–	–	(496)
At 31 December 2021 and 1 January 2022	12,535	30,837	1,286	5,556	1,074	51,288
Additions	–	212	915	53	–	1,180
Disposal	–	(539)	(571)	–	(15)	(1,125)
At 31 December 2022	12,535	30,510	1,630	5,609	1,059	51,343
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	9,576	20,974	850	4,709	919	37,028
Provided for the year	1,253	1,209	192	119	20	2,793
Eliminated on disposal	–	(135)	–	–	–	(135)
At 31 December 2021 and 1 January 2022	10,829	22,048	1,042	4,828	939	39,686
Provided for the year	1,254	1,426	117	107	8	2,912
Eliminated on disposal	–	(84)	(514)	–	(5)	(603)
At 31 December 2022	12,083	23,390	645	4,935	942	41,995
CARRYING AMOUNT						
At 31 December 2022	452	7,120	985	674	117	9,348
At 31 December 2021	1,706	8,789	244	728	135	11,602

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment assessment

As at 31 December 2021, due to continuous loss of the Group, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment, right-of-use assets; and intangible assets with finite useful life with carrying amounts of RMB11,602,000, RMB2,414,000 and RMB893,000 respectively attributable to the cash-generating unit of labelling solution segment (the "**CGU**").

As at 31 December 2022, due to the continuous loss of the Group, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and intangible assets with finite useful life with carrying amounts of RMB9,348,000 and RMB848,000 respectively of the Group.

The recoverable amount of CGU has been determined based on a value-in-use calculation. That calculation used a cash flow projections based on financial budgets approved by the management covering the next 5 years with a pre-tax discount rate of 17.5% (2021: 15%). The annual growth rate used is 1% (2021: 3%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flow projection was further extrapolated without any growth. Another key assumption for the value-in-use calculation is the budgeted gross margin of 29.0% (2021: 25.0%), which is determined based on the CGUs' past performance, management expectations for the market development and taking into consideration of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets including potential disruptions of the Group's operations.

The recoverable amount of the CGU exceeds its carrying amount by HK$4,506,000 (2021: HK$11,434,000). If the discount rate was changed to 26.8% (2021: 30.0%) or the budgeted gross margin were reduced to 28.3% (2021: 23.6%), while other parameters remain constant, the recoverable amount of the CGU would equal its carrying amount.

As at 31 December 2022 and 31 December 2021, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is higher than the carrying amount. No impairment loss on both property, plant and equipment, right-of-use assets and intangible assets with finite useful lives had recognised during the years ended 31 December 2022 and 2021.

15. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2021, 31 December 2021 and 1 January 2022	1,698
Addition	**104**
At 31 December 2022	**1,802**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2021	654
Provided for the year	151
At 31 December 2021 and 1 January 2022	805
Provided for the year	**149**
At 31 December 2022	**954**
CARRYING AMOUNT	
At 31 December 2022	**848**
At 31 December 2021	893

The intangible assets represent computer softwares acquired from independent third parties, which have finite useful lives of 10 years and are amortised on a straight-line basis. These assets are used in the Group's labelling solution segment. Details of impairment assessment of intangible assets are set out in note 14.

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 1 January 2021	4,833
Depreciation charge	(2,419)
As at 31 December 2021 and 1 January 2022	2,414
Depreciation charge	**(2,414)**
As at 31 December 2022	–

	2022 **RMB'000**	2021 RMB'000
Depreciation of right-of-use assets		
— leased properties	**2,414**	2,419
Lease interests	**126**	246
Total cash outflow for the lease	**3,008**	3,013

Lease liabilities of RMBNil (2021: RMB2,882,000) are recognised with related right-of-use assets of RMBNil (2021: RMB2,414,000) as at 31 December 2022. Lease contracts are entered into for fixed term of eleven months, but may have extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contracts are enforceable.

At 1 January 2023, the Group entered into new leases for office and manufacturing use that are not yet commenced, with average non-cancellable for eleven months with extension options. The total future undiscounted cash flows over the non-cancellable period amounted to approximately RMB2,409,000.

The lease arrangements do not impose any covenants other than the security interests in leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

Details of impairment assessment of right-of-use assets are set out in note 14.

17. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Raw materials	**3,161**	2,092
Work in progress	**208**	251
Finished goods	**725**	1,262
	4,094	3,605

At the end of the reporting period, the Group's inventories are stated at the lower of cost and net realisable value.

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Trade receivables	**11,945**	15,934
Less: allowance for credit losses	**(1,158)**	(1,117)
	10,787	14,817
Other receivables	**2,959**	1,075
Prepayments	**866**	1,570
	3,825	2,645

The Group allows credit periods ranging from 30 to 90 days to its trade customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customer are reviewed annually. The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Within 90 days	**7,560**	10,650
91–180 days	**3,190**	3,987
181–365 days	**37**	180
	10,787	14,817

Details of credit loss assessment of trade and other receivables for the years ended 31 December 2022 and 2021 are set out in note 6(c) to the consolidated financial statements.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	RMB'000
Unlisted equity security	**–**	4,900
Current portion	**–**	(4,900)
Non-current portion	**–**	–

As at 1 January 2021, the Group held a 27% in Dongdong Laike (Guangzhou) Information Technology Co., Ltd 咚咚來客(廣州)資訊技術有限公司 ("**Dongdong Laike**") and accounted for the investment as an associate. During the year ended 31 December 2021, Dongdong Laike issued new equity interests to independent third parties of the Group. As a result, Group's equity interest in Dongdong Laike was diluted from 27% to 19.23%.

The Group has accounted for the remaining 19.23% equity in Dongdong Laike as financial asset at FVTPL whose fair value at the date of deemed disposal was RMB4,900,000, which was determined using market approach and the value of the equity interest based on price to sales multiple. The deemed disposal of associate has resulted in the recognition of a gain in profit or loss during the year ended 31 December 2021, calculation as follows:

	RMB'000
Proceed of deemed disposal	–
Plus: fair value of investment retained	4,900
Less: carrying amount of the investment on the date of loss of significant influence	–
Gain recognised	4,900

On 3 December 2021, Smart Trend Enterprises Company Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, as vendor, entered into a sale and purchase agreement with New Huge Technology Limited (the "**Purchaser**"), a company incorporated in Hong Kong with limited liability and an independent third party of the Company and its connected persons, as purchaser, under which the Vendor agreed to sell and the Purchaser agreed to purchase 19.23% equity interest in Dongdong Laike that formed the "Information Technology" segment, representing the entire equity interest in Dongdong Laike held by the Group, at the consideration of HK$6 million (equivalent to RMB4.9 million) (the "**Disposal**"). The Disposal was completed on 20 March 2022.

20. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

The amount due from non-controlling interests was capital contribution to our non-wholly owned subsidiary, which is unsecured, non-interest bearing and repayable on demand.

21. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2022	2021
	RMB'000	RMB'000
US$	**1,552**	247
HK$	**5,275**	2,469
RMB	**27,985**	26,593
	34,812	29,309

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Central Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

* *English name is for identification purpose.*

22. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables	**6,538**	4,879
Other payables	**3,885**	2,413
Receipt in advance (Note)	**52**	489
Accrued expenses	**2,374**	1,996
	6,311	4,898

Note: The amount mainly represented the receipt in advance for the Disposal of 19.23% equity in Dongdong Laike as at 31 December 2021. Please refer to note 19 for details of the Disposal.

The credit period on trade payables ranging from 30 to 90 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	2022	2021
	RMB'000	RMB'000
Within 90 days	**5,531**	4,624
91–180 days	**776**	96
181–365 days	**35**	45
Over 1 year	**196**	114
	6,538	4,879

23. LEASE LIABILITIES

	Present value of minimum lease payments	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**–**	2,882
Within a period of more than one year but not exceeding two years	**–**	–
	–	2,882
Less: Amount due for settlement within twelve months shown under current liabilities	**–**	–
Amount due for settlement after twelve months shown under non-current liabilities	**–**	2,882

At 31 December 2021, the average incremental borrowing rate was 4.35%.

24. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the current and prior years:

	Withholding tax on distributable profits
	RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	55

Under the Law of the PRC on Enterprise Income Tax, withholding tax at a rate of 5% is proposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

As at 31 December 2022, deferred tax has not been provided for temporary differences attributable to the remaining accumulated undistributed profits of two PRC subsidiaries amounting to an aggregate amount of approximately RMB29,826,000 (2021: RMB28,909,000) as the directors of the Company do not expect to declare any additional dividends during the years ended 31 December 2022 and 2021 as mentioned above and 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.

As at 31 December 2022, the Group has unused tax losses of approximately RMB1,310,000 (2021: RMB1,106,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses of approximately RMB204,000, RMB216,000, RMB249,000, RMB343,000 and RMB298,000 will be expired in 2027, 2026, 2025, 2024 and 2023 respectively (2021: RMB216,000, RMB249,000, RMB343,000 and RMB298,000 will be expired in 2026, 2025, 2024 and 2023, respectively).

25. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	850,000,000	8,500,000

	2022 **RMB'000**	2021 RMB'000
Shown in the consolidated financial statements as RMB	**7,321**	7,321

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (net of cash) and cash equivalents and equity.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

The externally imposed capital requirements for the Group that in order to maintain its listing on the Stock Exchange is to have a public float of at least 25% of the shares of the Company throughout the year. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2022.

26. EMPLOYEE BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately. During the year ended 31 December 2022, the retirement benefits scheme contribution arising from the MPF Scheme charged to profit and loss was approximately RMB99,000 (2021: RMB95,000).

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "**Retirement Benefit Scheme**") organized by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately. During the year ended 31 December 2022, the costs charged under the Retirement Benefit Scheme for the Group's PRC subsidiaries amounted to approximately RMB2,333,000 (2021: approximately RMB2,051,000).

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

Forfeited contributions totalling HK$ Nil (2021: HK$ Nil) were utilised during the year leaving HK$673,000 (2021: HK$ 553,000) available at the year end to reduce future contributions.

27. RELATED PARTY TRANSACTION

Apart from details of the balances with related parties disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions with related parties during the year ended 31 December 2022:

		Year ended 31 December	
		2022	2021
Name of related company/party	**Nature of transactions**	**RMB'000**	RMB'000
史威特服飾(惠州)有限公司	Rental paid (Note)	**2,928**	2,793
Good Wealthy properties Limited	Rental paid (Note)	**83**	81

Note: Mr. Lam, the non-executive Director and the controlling shareholder of the Company, is the ultimate beneficial owner of 史威特服飾(惠州)有限公司 and Good Wealthy properties Limited during the years ended 31 December 2022 and 2021.

Compensation of key management personnel

The short-term employee benefits of key management personnel including the directors of the Company, during the year was approximately RMB3,738,000 (2021: RMB3,498,000) which is determined by reference to the performance of individuals and market trends.

No post-employment benefits, other long term benefits and termination benefits are paid or payable to the key management personnel.

For the year ended 31 December 2022

28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has direct and indirect equity interests in the following subsidiaries at the end of the reporting period:

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment/ operation	Legal form	Issued and fully paid-up share capital/ registered capital	Equity interests attributable to the Company as at 31 December		Principal activities
					2022	2021	
Direct							
New Forest Company Limited	1 December 2015	BVI	Private enterprise with limited liability	US$1 (2021: US$1)	**100%**	100%	Investment holding
RN Crypto (BVI) Company Limited	4 September 2019	BVI	Private enterprise with limited liability	US$1 (2021: US$1)	**100%**	100%	Investment holding
Indirect							
Smart Trend Enterprises Company Limited	15 April 2016	Hong Kong	Private enterprise with limited liability	HK$1 (2021: HK$1)	**100%**	100%	Investment holding
RN Standard Kepler Company Limited	1 November 2019	Hong Kong	Private enterprise with limited liability	HK$10,000 (2021: HK$10,000)	**100%**	100%	Investment holding
新達科技(惠州)有限公司 Reach New Technology	29 April 2007	PRC	Foreign investment enterprise with limited liability	US$1,000,000 (2021: US$1,000,000)	**100%**	100%	Manufacturing and sale of garment accessories
新天倫服裝配料(惠州)有限公司	31 December 2001	PRC	Foreign investment enterprise with limited liability	US$2,400,000 (2021: US$2,400,000)	**100%**	100%	Manufacturing and sale of garment accessories
鵬力服飾(惠州)有限公司	19 May 2020	PRC	Sino-Foreign Equity joint venture with limited liability	RMB1,000,000 (2021: RMB1,000,000)	**80%**	80%	Garment trading
深圳市新達商業顧問有限公司	18 August 2021	PRC	Foreign investment enterprise with limited liability	HK$1,000,000 (2021: HK$1,000,000)	**100%**	100%	Inactive
Vast Express Investment Limited	3 September 2021	Hong Kong	Private enterprise with limited liability	Nil (2021: HK$1)	**0**	100%	Investment holding
新浩科技(惠州)有限公司	6 December 2021	PRC	Foreign investment enterprise with limited liability	Nil (2021: RMB1,000,000)	**0**	100%	Inactive

None of the subsidiaries had issued any debt securities at the end of the year. As at 31 December 2022, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to approximately RMB27,985,000 (2021: approximately RMB26,593,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole shareholder of the Company on 24 June 2017 (the "**Share Option Scheme**") and will remain in force for 10 years after its adoption. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. For other principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Company's Prospectus dated 30 June 2017.

No options under the Share Option Scheme has been granted, cancelled or lapsed during the year ended 31 December 2022 and 2021.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2022 **RMB'000**	2021 RMB'000
NON-CURRENT ASSET		
Investment in subsidiaries	**48,429**	48,429
CURRENT ASSETS		
Prepayments and other receivables	**246**	220
Amounts due from subsidiaries	**382**	1,010
Bank and cash balances	**88**	1,017
	716	2,247
CURRENT LIABILITIES		
Other payables	**799**	748
Amounts due to subsidiaries	**1,926**	1,775
	2,725	2,523
NET CURRENT LIABILITIES	**(2,009)**	(276)
NET ASSETS	**46,420**	48,153
CAPITAL AND RESERVES		
Share capital (note 25)	**7,321**	7,321
Reserves (note (a))	**39,099**	40,832
	46,420	48,153

Approved by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Mr. Lam Cheung Chuen
DIRECTOR

Mr. Lam Kai Yuen
DIRECTOR

30. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

Note a:

	Share premium RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2021	41,488	(40,350)	48,429	49,567
Loss and total comprehensive expense for the year	–	(8,735)	–	(8,735)
At 31 December 2021 and 1 January 2022	**41,488**	**(49,085)**	**48,429**	**40,832**
Loss and total comprehensive expense for the year	**–**	**(1,733)**	**–**	**(1,733)**
At 31 December 2022	**41,488**	**(50,818)**	**48,429**	**39,099**

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	Lease Liabilities RMB'000
As 1 January 2021	5,649
Repayment of lease liabilities	(3,013)
Interest expenses	246
At 31 December 2021 and 1 January 2022	2,882
Repayment of lease liabilities	(3,008)
Interest expenses	126
At 31 December 2022	–

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

(b) Total cash outflow for leases

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

	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**126**	246
Within financing cash flows	**2,882**	2,767
	3,008	3,013

These amounts relate to the following:

	2022	2021
	RMB'000	RMB'000
Lease rental paid	**3,008**	3,013

32. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2023.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**67,251**	74,414	60,560	76,118	98,939
LOSS BEFORE TAXATION	**(6,661)**	(1,327)	(14,124)	(4,442)	(923)
Income tax expense	**(89)**	(109)	–	(704)	(1,861)
LOSS FOR THE YEAR	**(6,750)**	(1,436)	(14,124)	(5,146)	(2,784)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**63,914**	70,385	73,603	74,405	82,398
TOTAL LIABILITIES	**(13,774)**	(13,495)	(15,277)	(7,789)	(10,639)
	50,140	56,890	58,326	66,616	71,759
EQUITY:					
Equity attributable to owners of the Company	**50,006**	56,749	58,157	66,614	71,759
Non-controlling interests	**134**	141	169	2	–
	50,140	56,890	58,326	66,616	71,759