SLING GROUP HOLDINGS LIMITED
森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8285

2022
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Contents

Note: This annual report was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English versions, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yau Frederick Heng Chung *(Chairman)*
Mr. Lee Tat Fai Brian *(Chief Executive Officer)*

Non-executive Directors

Mr. Yau Sonny Tai Nin
Mr. Yau Tai Leung Sammy

Independent Non-executive Directors

Mr. Won Chik Kee
Mr. Feng Dai
Ms. Sit Ting Fong

AUDIT COMMITTEE

Mr. Won Chik Kee *(Chairman)*
Mr. Feng Dai
Ms. Sit Ting Fong

REMUNERATION COMMITTEE

Mr. Feng Dai *(Chairman)*
Mr. Won Chik Kee
Ms. Sit Ting Fong

NOMINATION COMMITTEE

Ms. Sit Ting Fong *(Chairlady)*
Mr. Won Chik Kee
Mr. Feng Dai

COMPLIANCE OFFICER

Mr. Yau Frederick Heng Chung

AUTHORISED REPRESENTATIVES

Mr. Yau Frederick Heng Chung
Ms. Leung Sau Fong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 21st Floor, Yen Sheng Centre
64 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

COMPANY SECRETARY

Ms. Leung Sau Fong

Corporate Information *(Continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204, Unit 2A, Block 3
Building D P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

24/F, Bank of China Tower
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

3/F, Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

WEBSITE

www.sling-inc.com.hk

STOCK CODE

8285

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the"Board") of Sling Group Holdings Limited (the"Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively called the"Group") for the year ended 31 December 2022.

2022 was an extremely challenging year for the Group. The Group's revenue decreased by 28.9% to RMB96.1 million and the net loss increased to RMB17.1 million compared to a net loss of RMB10.1 million the year before. At the beginning of 2022, the Group was still focusing on building on the small success we had in the previous year of the live streaming strategy. While we were not expecting the strict preventive measures implemented by the Chinese government to control the spread of coronavirus ("COVID-19") to be lifted quickly, no one expected further tightening to the extent of a complete lockdown of Shanghai to take place. Even though our businesses are heavily focused on online and live streaming sales, we encountered all sorts of problems from product development, production procurement to product delivery to customers due to lockdowns and Covid restrictions tightening during the year.

The third quarter was the bright spot of the roller-coaster year of 2022. Once Shanghai reopened after the lockdown and the preventive measures slightly relaxed across the country, we saw sales in both the handbag business and the luggage and travel accessories business rebounded. It was the best performing quarter of the year and gave us a sense of how consumption can resume once all the COVID-19 pandemic policies are canceled in China.

Looking forward, we believe that our luggage and travel accessories business is well positioned to benefit from the re-opening of borders in 2023 after being heavily impacted in the last 3 years by the lack of local and international travels. Our team is working very closely with all the major online platforms to revise sales plans to capture any rebound on consumption. Furthermore, we are also focusing on broadening the product lines of the luggage and travel accessories business in order to capture more growth. As for our handbag business, we are also seeing signs of consumption returning, but it is likely to be more gradual. We will continue to strengthen our live streaming operations. At the same time, we will pay close attention to the data generated from all sales channels and endeavor to react quickly to the changing consumer behavior while maintaining a tight inventory turn.

Last, but not least, I would like to express my appreciation to our management and staff for their hard work and dedication especially during this challenging period. Furthermore, I would like to take this opportunity to express my heartfelt gratitude to all of our business partners, customers and shareholders for their continued support and confidence in the Group.

Yau Frederick Heng Chung
Chairman

Hong Kong, 28 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

For the year of 2022, the Group has undergone an exceptionally difficult business year. The Group's businesses were negatively impact by COVID-19. China once managed to control the spread of the virus after the outbreak in the first half of 2020. The Group seized the business opportunities and witnessed a strong sale rebound in 2021. China was however unable to contain the pandemic when it resurged in the first quarter of 2022, facing increasingly infected cases emerged in many cities including the major cities. To contain the spreading of COVID-19, The Chinese government put forward zero-COVID policy and implemented stringent restrictive measures, including mass testing, contact tracing, quarantine for travellers and the patients. As the daily lives of the people were affected, the consumers had little appetite to spending. All these also put great pressure in conducting business in China. Frequent and prolonged lockdowns were widespread. Material supplies for production of goods and delivery of goods to our consumers were delayed. Livestreaming hours were limited or shortened. Depending on the progress of viral spread containment and the Chinese government attitude toward the disease, sales were volatile every quarter in the year. The business environment was difficult. The Group was unable to execute suitable business plans.

The business of marketing and distributing women's handbags has dropped noticeably. Total revenue for women's handbags amounted to RMB75.8 million, compared to RMB110.9 million in 2021. The demands for luggage and travel accessories continue to be low as travel restriction measures limited overseas travelling. The revenue for luggage and travel accessories was lowered by RMB4.0 million to RMB20.3 million. Total revenue for the year as a whole decreased by RMB39.1 million from RMB135.2 million to RMB96.1 million. To reserve our resources and energy, the Group's dedicated most effort in online marketing and online retail sales accounted for 89.0% of total revenue.

To manage the difficult operating environment, the Group continues to focus on online marketing and control operating costs. The Group focused on a few key e-commerce service providers, particularly a fast-growing social media platform, to achieve sale targets and exposed our brands. The Group has worked with a number of key opinion leaders ("**KOLs**") on live streaming online sales and has arranged regular marketing programs as many as possible during the lockdown periods. The marketing programs with targeted social media platform has so far been the effective way to reach out to our consumers.

In terms of revenue among the brands, ELLE and Jessie & Jane witnessed reduction by 20.1% and 71.8% respectively. The sale distribution was approximately 93.2% and 6.8% in 2022, compared to 82.9% and 17.1% in 2021.

Principal Risks and Uncertainties

Our Group faces several risk and uncertainty factors that may affect the operating results and business prospects. There may have other risks and uncertainties in addition to those listed below which are not known to the Group or which may not be material now but could turn out to be material in the future. The followings are the key risks and uncertainties identified by the Group.

Market and Operational Risk

If the Group fails to renew license agreement to the use of ELLE brand or maintain proper operation of the e-commerce platforms which are operated by third parties, it may result in monetary penalties and would have a material adverse effect on the Group.

Our products are sold in highly competitive markets that we compete in products development, product quality, competitive pricing; and adapt to fast changing consumer behavior. The markets we serve are seasonal and sensitive to domestic economic conditions and events which may cause our operating results to fluctuate.

Our future success depends to a significant degree upon the continued contributions of our management team and key personnel.

Financial Risk

The Group's business operations is exposed to risks from liquidity, interest rates, credit and exchange rates.

Relationship with Key Stakeholders

Business relationship with customers and suppliers are crucial for business success. The Company is dedicated to create fair manner while balancing interests of various stakeholders of our Group. We engage our employees, customers, business partners and community through variety of stakeholder engagement channels. The Group provides quality service and products to our customers. The Group also viewed our suppliers as strategic partner. Lastly the Group values its employees as one of its greatest strengths and assets and strive to provide equal opportunities to employees.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by RMB39.1 million to RMB96.1 million (2021: RMB135.2 million).

In term of revenue by sales channels, the Group achieved RMB85.5 million sales from online retail sales (2021: RMB125.9 million), representing 89.0% of total sales (2021: 93.1%). Wholesale to online retailers slightly increased to RMB9.5 million (2021: RMB6.7 million). Total sales related to these online businesses amounted to RMB95.0 million (2021: RMB132.6 million), representing a decline of 28.4% compared to 2021. Online businesses amounted to 98.9% of total sales (2021: 98.1%).

Offline retail sales dropped to RMB0.7 million (2021: RMB0.9 million). Wholesale to offline retailers declined to RMB0.4 million (2021: RMB1.7 million). These offline businesses recorded total sales of RMB1.1 million (2021: RMB2.6 million). The offline businesses recorded 57.7% reduction. Offline businesses amounted to 1.1% of total sales (2021: 1.9%).

Management Discussion and Analysis *(Continued)*

Among the distribution channels, the revenue of online retail sales, offline retail sales, and wholesale to offline dropped by approximately 32.1%, 19.6%, and 75.3% respectively. The revenue of wholesale to online retailers was managed to increase by 40.6%.

	2022		2021		Increase/ (Decrease)	Raise/ (Drop) rate
	RMB'000	**%**	RMB'000	%	RMB'000	%
Online Sales						
Online retail sales	**85,487**	**89.0%**	125,899	93.1%	(40,412)	(32.1%)
Wholesale to online retailers	**9,462**	**9.9%**	6,730	5.0%	2,732	40.6%
Offline Sales						
Offline retail sales	**705**	**0.7%**	877	0.7%	(172)	(19.6%)
Wholesale to offline retailers	**416**	**0.4%**	1,687	1.2%	(1,271)	(75.3%)
	96,070	**100.0%**	135,193	100.0%	(39,123)	(28.9%)

Revenue generated from ELLE products decreased to RMB89.6 million (2021: RMB112.1 million) with the revenue mainly from women handbag. Also, Jessie & Jane products witnessed reduced sale. The sales of Jessie & Jane products decreased to RMB6.6 million (2021: RMB23.1 million).

	2022		2021		Decrease	Drop
	RMB'000	**%**	RMB'000	%	RMB'000	%
ELLE	**89,563**	**93.2%**	112,139	82.9%	(22,576)	(20.1%)
Jessie & Jane	**6,507**	**6.8%**	23,054	17.1%	(16,547)	(71.8%)
	96,070	**100.0%**	135,193	100.0%	(39,123)	(28.9%)

The Group's revenue dropped by approximately RMB39.1 million, or 28.9%, from approximately RMB135.2 million in 2021 to approximately RMB96.1 million in 2022. As the impact from resurging COVID-19 in China has lingered, consumer confidence has dropped to a low level and local consumption diminished noticeably. Despite the Group strategically focuses on online sales to better utilize our resources, the negative impact on both brands of ELLE and Jessie & Jane was obvious. The sales of the brands dropped by 20.1% and 71.8% respectively. Both the business lines of distributing women's handbags and luggage and accessories were under great pressure during the period.

For further detailed discussion on the Group's business performance, please refer to the paragraph headed "Business Review" above.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB21.0 million, or 28.8%, from approximately RMB72.9 million to approximately RMB51.9 million. The decrease was largely attributable to the decline in revenue. Our gross profit margin for 2022 and 2021 were approximately 54.0% and 53.9% respectively, which represent 0.1% margin increase. Due to depressed sales arising from COVID-19, the Group was unable to command for higher selling prices.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB18.8 million, or 26.3%, from approximately RMB71.4 million to approximately RMB52.6 million. The drop was mainly attributable to lower expenses in (i) sale commission, (ii) marketing shop expenses, (iii) advertising, (iv) royalty, and (v) delivery costs. As the volume of sale activities reduced, corresponding variable selling and distribution costs, including sale commission, royalty and delivery costs, dropped accordingly. To contain marketing costs, marketing expenses and advertising were restricted to minimal to support necessary marketing activities.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses slightly increased by approximately RMB0.2 million, or 1.2%, from approximately RMB17.2 million to approximately RMB17.4 million. The increase was mainly attributable to RMB3.1 million foreign exchange loss arising from unfavourable RMB movement and partly offset by decreased expenses in write-down of inventories to net realisable value and lease charges.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2022,

(a) the Group's total assets decreased to approximately RMB49.3 million (2021: approximately RMB59.4 million) while the total equity decreased to approximately RMB2.4 million (2021: approximately RMB18.1 million);

(b) the Group's current assets decreased to approximately RMB42.1 million (2021: approximately RMB51.9 million) while the current liabilities increased to approximately RMB42.2 million (2021: approximately RMB41.2 million);

(c) the Group had approximately RMB9.7 million in cash and cash equivalents (2021: approximately RMB4.9 million), and the current ratio of the Group was approximately 1.0 times (2021: approximately 1.3 times);

(d) the Group had bank borrowings of approximately RMB21.0 million (2021: approximately RMB17.9 million), leaving RMB41.5 million uncommitted banking facilities available for future utilisation;

(e) the gearing ratio (calculated based on total debt divided by total equity as at the end of the year and multiplied 100%) of the Group was approximately 1,053.0% (2021: approximately 98.8%).

Management Discussion and Analysis *(Continued)*

The share capital of the Group only comprises of ordinary shares. The Group actively and regularly reviews the capital structure and makes adjustments in light of changes in economic conditions. The Group monitors the capital structure on the basis of the net debt to equity ratio, the profile of bank borrowings, and free cash on hand. During the years, the shareholders and a director has provided a RMB4.5 million (equivalent to HK$5 million) loan to the Group to strengthen working capital.

The Group is of the opinion that, after taking into consideration of the internal available financial resources, the current banking facilities and the additional support from the shareholders and a director, it has sufficient funds to finance internal operations and meet the financial obligations.

CAPITAL EXPENDITURE

During the year ended 31 December 2022, the Group invested approximately RMB513,000 (2021: RMB1.1 million) and RMB16,000 (2021: RMB14,000) on the acquisition of property, plant and equipment and intangible assets respectively. Capital expenditure was principally funded by internal resources.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in note 25 to the consolidated financial statements, the Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2022 (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities or off-balance sheet obligation (2021: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

Save as disclosed in note 24 to the consolidated financial statements, as at 31 December 2022, the Group did not have any assets pledged to secure general banking facilities (2021: Nil).

PROSPECT

The Chinese government finally abandons its zero-Covid policy. Since it has lifted various restrictive measures and encountered sky rocketing infected cases, the spread of the virus has levelled off. Daily lives and businesses are returning to normal. With increasing individual and business activities, the Group has seen rebound in sales, particularly strong in the segment of distributing luggage and travel accessories in January and February 2023. The Group anticipates the rebound has just started and will continue for the rest of 2023.

The Group will execute more marketing plans in delivering live-streaming programs. In addition to third party KOLs, the Group has been training up internal sale staffs for marketing our products. The Group is cautiously optimistic that 2023 will be a much better year than 2022.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in Renminbi ("**RMB**") and customers rarely request to settle our billing by other foreign currencies such as United States dollar and Hong Kong dollar ("**HK$**").

The Directors are of the view that the Group's operations are not subject to significant foreign exchange rate risks. Therefore, no hedging arrangements are made. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

HUMAN RESOURCES

As at 31 December 2022, the Group had 55 employees (2021: 60) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB10.5 million for the year ended 31 December 2022 (2021: RMB10.7 million). The remuneration packages of the Group's employees include salaries, bonus, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2022 are generally appreciated and recognized.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yau Frederick Heng Chung ("**Mr. Fred Yau**"), aged 48, son of Mr. Yau Sonny Tai Nin, nephew of Mr. Yau Tai Leung Sammy, is our Chairman, executive Director and one of our Controlling Shareholders. He also sits on boards of various companies within the Group. He is primarily responsible for the overall business corporate strategic planning and development of our Group. He obtained a bachelor's degree in chemistry from Harvard University in the United States in June 1997.

Mr. Fred Yau has over 20 years of experience in the women's handbag industry. Since March 2002, he has become a director of Sling Incorporated Limited and has been responsible for our Group's strategic and development planning. Since March 2002, Mr. Fred Yau has also become an executive director of Yen Sheng Factory Limited and has been responsible for coordinating the operation of Yen Sheng Factory Limited, including marketing, sales and distribution, managing merchandising and production operation. Through his industry-related working experience, Mr. Fred Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Lee Tat Fai Brian ("**Mr. Brian Lee**"), aged 49, is our chief executive officer and executive Director. He is the son of Ms. Li Wing Chi Agnes who is one of our substantial shareholders through Summit Time Resources Limited. He also sits on boards of various companies within the Group. He is primarily responsible for the operation and management of our Group. He obtained a bachelor's degree in arts and a degree of bachelor of science in economics both from the University of Pennsylvania in the United States in May 1995.

Mr. Brian Lee has over 22 years of experience in the women's handbag industry. In 1999, he and his then business partners, together with the Yau Family, founded our Group with a view to develop women's handbags business. He has been a director of Sling Incorporated Limited since May 1999, and has been responsible for the operation and management of our Group, including the implementation and execution of our business plans. Through his industry-related working experience, he has accumulated industry knowledge and market understanding for the women's handbag industry.

NON-EXECUTIVE DIRECTORS

Mr. Yau Sonny Tai Nin ("**Mr. Sonny Yau**"), aged 75, father of Mr. Fred Yau and elder brother of Mr. Yau Tai Leung Sammy, is our non-executive Director and one of our Controlling Shareholders. Mr. Sonny Yau is also a director of Sling BVI and Sling Incorporated Limited. He is primarily responsible for supervising and providing strategic guidance to our Board. He obtained a bachelor's degree in science from Cornell University in the United States in May 1972.

Mr. Sonny Yau has over 47 years of experience in the handbag industry. Mr. Sonny Yau and the Yau Family founded Yen Sheng Group and Tai Heng Group, which are principally engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1975, Mr. Sonny Yau has been leading Yen Sheng Factory Limited as the chief executive officer and the director of operation. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, setting the company's values, culture and behaviour, building the senior executive team and allocating resources of the company. Through his industry-related working experience, Mr. Sonny Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Yau Tai Leung Sammy ("**Mr. Sammy Yau**"), aged 69, younger brother of Mr. Sonny Yau and uncle of Mr. Fred Yau, is our non-executive Director and one of our Controlling Shareholders. Mr. Sammy Yau is also a director of Sling Incorporated Limited and Elite Grand. He is primarily responsible for supervising and providing strategic guidance to our Board.

Mr. Sammy Yau has over 45 years of experience in the handbag industry. The Yau Family, including Mr. Sammy Yau, founded Yen Sheng Group and Tai Heng Group, which are engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1977, Mr. Sammy Yau has been leading Yen Sheng Factory as the director of sales and an executive director. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, sales and operation, and building the senior executive team. Through his industry-related working experience, Mr. Sammy Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Won Chik Kee ("**Mr. Won**"), aged 53, was appointed as our independent non-executive Director on 15 December 2017. He is a chairman of Audit Committee, a member of each of Remuneration Committee and Nomination Committee of the Board. He obtained a diploma of accountancy from Lingnan College in January 1993, and a bachelor's degree of business from the Monash University in Australia in July 1996. Mr. Won has become an associate in (i) The Chartered Association of Certified Accountants since February 1995; (ii) the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1995; and (iii) The Australian Society of Certified Practising Accountants since February 1996. He also has become a fellow of The Association of Chartered Certified Accountants since February 2000.

Mr. Won has been the sole proprietor of C K Won & Co, an accounting firm in Hong Kong, since February 1999. He is also the founder of Concord Asia Secretaries Limited, a company engaging in secretarial, consulting and accounting services since March 1998. Mr. Won worked as a junior accountant in the audit department of Kwan Wong Tan & Fong (a company which had merged with Deloitte Touche Tohmatsu Limited in 1997) from August 1992 to February 1994. He joined Deloitte Touche Tohmatsu Limited as a staff accountant II in February 1994, and was promoted to semi-senior accountant in January 1995, where he was responsible for overall control of small to medium sized audit assignments and to supervise junior audit staff. He left the firm in February 1996, and worked as a financial controller and the assistant of a director of Mae Holdings Limited (now known as Sheng Yuan Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 851)) from July 1996 to February 2001.

Mr. Feng Dai ("**Mr. Feng**"), aged 47, was appointed as our independent non-executive Director on 15 December 2017. He is a chairman of Remuneration Committee, a member of each of Audit Committee and Nomination Committee of the Board. He obtained a degree of bachelor of arts in engineering sciences from Harvard University in the United States in June 1997.

Between April 2004 and December 2014, Mr. Feng joined Warburg Pincus Asia LLC, a company principally engaged in investment advisory, where he had worked at various positions, including associate, principal and managing director. He was responsible for advising on private equity investments and post-investment management. Since March 2015, Mr. Feng has been working as the managing director of CareCapital Advisors Limited, a company principally engaged in management advisory. He was responsible for advising on business development and organizational management, with focus on the healthcare industry.

Directors and Senior Management *(Continued)*

Ms. Sit Ting Fong ("**Ms. Sit**"), aged 48, was appointed as our independent non-executive Director on 31 January 2019. She is the chairlady of Nomination Committee, a member of each of Audit Committee and Remuneration Committee of the Board. She obtained a degree of bachelor of business administration with first class honours from the Chinese University of Hong Kong in December 1997, and a degree of master in business administration from Harvard University in the United States in June 2002.

Ms. Sit has over 20 years of strategic consulting, private equity investment and portfolio management experience in the Greater China region. From October 2002 to March 2005, Ms. Sit was a consultant with Bain & Company in China, where she advised multinational corporations on market entry, business expansion, and operating strategies. Between May 2005 and June 2007, Ms. Sit worked at Crimson Investment as a Vice President, focused on growth capital investments in China, Taiwan and the United States. Between July 2007 and April 2011, Ms. Sit joined the Greater China Private Equity Unit of the D. E Shaw group, a global investment and technology development firm, as Vice President and later Director, responsible for the firm's private equity investment and portfolio management activities in the region. Ms. Sit is a founding member of Ascendent Capital Partners, a Greater China private equity investment management firm established in April 2011. Ms. Sit rejoined Bain & Company in June 2020 as the Vice President of the Private Equity Practice in the Asia Pacific region.

SENIOR MANAGEMENT

Mr. Yip Chun Wai ("**Mr. Yip**"), aged 56, is our chief financial officer and a director of Senhao Shanghai. Mr. Yip joined our Group in December 2015. He is primarily responsible for the overall financial planning and management, as well as developing and maintaining relationship with banks in Hong Kong and the PRC.

Mr. Yip obtained a bachelor's degree in commerce from Dalhousie University in Canada in May 1992 and a degree of master of science in finance from the City University of Hong Kong in November 1998. He has obtained membership in the Hong Kong Securities and Investment Institute since November 2012.

Mr. Yip has over 20 years of experience in the banking and finance industry in Hong Kong. Prior to joining our Group, between June 2004 and September 2013, Mr. Yip worked in Hang Seng Bank Limited, a licensed bank in Hong Kong, with his last position as deputy head of relationship management department (team head) in the CMB relationship management department, where he was responsible for supervising the relationship management team regarding corporate and commercial clients.

Ms. Jiang Ying, aged 41, is the design director of the product design and development department of our Group. Ms. Jiang joined our Group in April 2014. She is primarily responsible for creation of product design theme, style and development in accordance with the brands' characteristics of our Group.

Ms. Jiang obtained a bachelor's degree in industrial design from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2004. In October 2011, Ms. Jiang was awarded the Outstanding Female Designer of Shanghai Award by the Shanghai Municipal Commission of Economy and Informatisation* (上海市經濟和信息化委員會), the Communist Party of the PRC Working Committee of Economy and Informatisation of the Shanghai Municipal* (中共上海市經濟和信息化工作委員會) and the Women's Society of Shanghai City* (上海市婦女聯合會).

Directors and Senior Management *(Continued)*

Mr. Li Zhaoqing, aged 43, is the IT senior manager of our Group. Mr. Li joined our Group in March 2017. He is primarily responsible for managing our Group's information technology system and developing technologies applicable to the operations of our Group.

Mr. Li obtained a diploma in business administration from Shanghai Jiao Tong University in the PRC in July 2011 by completing online courses.

Mr. Li has over 17 years of experience in the information technology industry in the PRC. Prior to joining our Group, between September 2008 and March 2017, Mr. Li joined Belle Footwear (Shanghai) Company Limited* (百麗鞋業(上海)有限公司), a company principally engaged in the trading of shoes, footwear products, sport shoes and apparel in the PRC and is a subsidiary of Belle International Holdings Limited, a company listed on the Main Board of the Stock Exchange between May 2007 and July 2017 (former stock code: 1880), as a manager of the information technology department where he was responsible for management of information technology system and information system planning.

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2022, the Company has complied with the applicable code provisions of the CG Code.

OUR CULTURE

The corporate value of the Company is acting in lawful, ethical and responsible manner. All Directors act with integrity and promote the culture of integrity. Such culture instils and continually reinforces across the corporate values. During the Year, the Board closely monitored the implementation of corporate governance practice, risk management and internal control systems to ensure the corporate value and the Company's culture are aligned.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control and risk management. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of this Annual Report, the Board comprised seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Mr. Yau Frederick Heng Chung
Mr. Lee Tat Fai Brian

Non-executive Directors
Mr. Yau Sonny Tai Nin
Mr. Yau Tai Leung Sammy

Independent Non-executive Directors
Mr. Won Chik Kee
Mr. Feng Dai
Ms. Sit Ting Fong

The details of Directors are set out in the section headed "Directors and Senior Management" on pages 12 to 15 of this Annual Report.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group, as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

The Board will conduct at least 4 regular meetings a year. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "**Articles**").

During the Period, the Company held four Board meetings, five audit committee (the "**Audit Committee**") meetings, one remuneration committee (the "**Remuneration Committee**") meeting and one nomination committee (the "**Nomination Committee**") meeting. All minutes of the Board meetings and meetings of Board committees were recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. Yau Frederick Heng Chung	4/4	4/4	—	—
Mr. Lee Tat Fai Brian	4/4	—	—	—
Non-executive Directors:				
Mr. Yau Sonny Tai Nin	4/4	—	—	—
Mr. Yau Tai Leung Sammy	4/4	—	—	—
Independent Non-executive Directors:				
Mr. Won Chik Kee	4/4	5/5	1/1	1/1
Mr. Feng Dai	4/4	5/5	1/1	1/1
Ms. Sit Ting Fong	4/4	5/5	1/1	1/1

All Directors attended at the 2022 Annual General Meeting of the Company held on 21 June 2022.

The company secretary of the Company ("**Company Secretary**") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Corporate Governance Report *(Continued)*

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Company's Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Appointment, Re-election of Directors and Removal of Directors

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from 15 December 2017 unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of Non-executive Directors and two Independent Non-executive Directors have entered into a letter of appointment for a term of 2 years with the Company commencing from 15 December 2017 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

One independent Non-executive Director has entered into a letter of appointment for a term of 2 years with the Company commencing from 31 January 2019 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 105 of the Articles of the Company, at each annual general meeting (the "**AGM**") one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 109 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a causal vacancy) or the next following AGM (in the case of an additional Director) and shall then be eligible for election.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The training each director received during the year is summarized as below:

	Attending seminars/ conferences/reading newspaper journals and other relevant materials regarding regulatory update and corporate governance matters
Executive Directors	
Mr. Yau Frederick Heng Chung	✓
Mr. Lee Tat Fai Brian	✓
Non-executive Directors	
Mr. Yau Sonny Tai Nin	✓
Mr. Yau Tai Leung Sammy	✓
Independent Non-executive Directors	
Mr. Won Chik Kee	✓
Mr. Feng Dai	✓
Ms. Sit Ting Fong	✓

Up to the date of this Annual Report, all Directors have participated in continuous professional development by attending training course and/or reading relevant materials on the topics related to corporate governance and regulations under GEM Listing Rules. Records of the training received by the respective Directors are kept and updated by the Company Secretary of the Company.

Independent Non-executive Directors

Mr. Won Chik Kee and Mr. Feng Dai were appointed as the independent non-executive Directors with effect from 15 December 2017. Ms. Sit Ting Fong was appointed as the independent non-executive Directors with effect from 31 January 2019.

The Company has received from each of its independent non-executive Directors the written confirmation of their independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Corporate Governance Report *(Continued)*

Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness.

Following mechanisms are adopted by the Board and reviewed annually by the Board to ensure their effectiveness and the Board considered that the mechanism was effective for the year under review:

1. The Board must have at least three independent non-executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.

2. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to the GEM Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. External independent professional advice is available as and when required by individual Directors.

4. The Chairman of the Board meets with independent non-executive Directors annually without the presence of the executive Directors and non-executive Directors.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established to ensure a balance of power and authority.

Mr. Yau Frederick Heng Chung serves as the chairman of the Board and is responsible for overall business corporate strategic planning and development of the Group. Mr. Lee Tat Fai Brian serves as the chief executive officer of the Company and is responsible for operation and management of the Group.

BOARD COMMITTEE

Audit Committee

The Company established the Audit Committee on 15 December 2017 with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong. Mr. Won Chik Kee is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year.

During the year ended 31 December 2022, the Audit Committee held five meetings to review the quarterly financial results announcement and report for the three months ended 31 March 2022; the interim financial results announcement and report of the Group for the six months ended 30 June 2022; the quarterly financial results announcement and report for the nine months ended 30 September 2022; and the annual financial results announcement and report of the Group for the year ended 31 December 2021, as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Group's internal audit.

Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 17 in this Annual Report.

Remuneration Committee

The Company established the Remuneration Committee on 15 December 2017 which comprised three independent non-executive Directors, namely Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong. Mr. Feng Dai is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

During the year, the Remuneration Committee has reviewed and approved the remuneration package of the Directors and senior management of the Group.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 17 in this Annual Report.

Remuneration Policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination Committee

The Company established the Nomination Committee on 15 December 2017 which comprised three independent non-executive Directors, namely Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong. Ms. Sit Ting Fong is the Chairlady of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy (the "**Policy**") in accordance with the requirement as set out in the CG Code. The Nomination Committee regularly monitors and reviews the implementation of the Policy. Details of the Policy are set out in the section headed "Board Diversity Policy" of this Annual Report.

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board and the Policy as well as discussing matters regarding the retirement and re-election of Directors.

Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 17 in this Annual Report.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") on 21 March 2019. In conjunction to the board diversity policy, the Board shall consider a number of criteria on the appointment of directors, and succession planning for directors, as well as re-appointment of directors. The criteria include character and integrity, professional qualifications, skills, knowledge, experience, potential contributions to the Board, as well as willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board commitment(s).

When necessary, the nomination committee should seek independent professional advice to access a wider range of potential candidates.

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2022, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about his reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor, Grant Thornton Hong Kong Limited, are set out in the Independent Auditor's Report on pages 65 to 69 of this Annual Report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remuneration paid or payable to the Company's auditor was as follows:

Services rendered	HK$'000
Audit service for the year ended 31 December 2022	800
Non-audit services	
— Hong Kong tax compliance for the year ended 31 December 2022	25
Total	825

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls and risk management of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system and risk management system to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control system and risk management system of the Group through Audit Committee.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. However, the Group engaged an external internal control consultant to conduct a review on the internal control system of the Group during the year. The review covered certain operational procedures and included recommendations for improvement and strengthening of the internal control system of the Group. No significant control failings or weakness have been identified by the external internal control consultant during the review. The Audit Committee has received the risk management and internal control evaluation reports prepared by the external professional firm. The reports summarized information relating to the work carried out in the following areas:

- the results of selective testing of internal control procedures, operation, and financial records of the Group;
- a general evaluation of risk management and internal control systems installed by the Group; and
- an outline of major control issues, if any, noticed during the year under review.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by the external professional to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. The Board considered the internal control and risk management systems effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Group's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors has reviewed the Group's corporate governance policies and compliance with the Corporate Governance Code for the year ended 31 December 2022 and complied with the "comply or explain" principle in our corporate governance report.

Non-competition Undertaking

The independent non-executive Directors have reviewed the confirmation given by Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited, the controlling shareholders (the "**Controlling Shareholders**") of the Company, pursuant to which each of Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited has confirmed that, for the year ended 31 December 2022, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition undertaking dated 15 December 2017 as disclosed in the prospectus of the Company dated 29 December 2017.

BOARD DIVERSITY POLICY AND WORKFORCE

The Company has adopted a board diversity policy in accordance with the requirement as set out in the CG Code, which is summarized as below:

The Policy of the Company specifies that in designing the optimum composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities of Directors. All Board members' appointment will be based on merit while taking into account diversity. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Diversity Policy and discussed the above measurable objectives and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

The Board currently has one female Director out of seven Directors with about 14% female representation sitting on the Board and is committed to improving gender diversity, if necessary, and as and when suitable candidates are identified. The Company is of the view that gender diversity in respect of the Board has been achieved. As at 31 December 2022, 42 out of 55 employees (including senior management) of the Group, with about 77% are female. Accordingly, the Company considers that gender diversity is also achieved in its workforce as well.

The Nomination Committee will view the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

WHISTLEBLOWING POLICY

The Company has adopted arrangement to facilitate employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Board shall review such arrangement regularly, conduct independent investigation on these matters if necessary, and considers and provides appropriate follow-up action.

The policies of Anti-corruption are contained in the section headed "Anti-corruption" on page 46 in this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2022 and up to the date of this Annual Report.

SHAREHOLDERS RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "**EGM**") of the Company are prepared in accordance with Article 64 of the Articles:

1 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 may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2 The EGM shall be held within 2 months after the deposit of such requisition.

3 If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Raising Enquiries

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

2 Shareholders may at any time raise any enquiry in respect of the Company to our investor relation team via email at the email address at info@sling-inc.com.hk.

3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and Contact Details for Putting Forward Proposals at Shareholders' Meetings

1 To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business at Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon.

2 The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

3 The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the AGM or an EGM varies according to the nature of the Proposal as follows:

 (i) At least 21 days' notice in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an AGM of the Company; or

 (ii) At least 14 days' notice in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings and other general meetings, publishing corporate communications such as interim results and annual results, financial reports, announcements and circulars. Shareholders may make enquiries with the Company through channels of our corporate website www.sling-inc.com.hk, and provide comments and recommendations to the Directors. Upon receipt of enquiries from shareholders, the Company will respond as soon as practicable.

During the year under review, an annual general meeting of the Company was held on 21 June 2022 at which all the Directors attended either by person or by means of electronic facilities to communicate with the shareholders of the Company. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the shareholders communication policy is effective during the year ended under review.

Significant Changes in the Constitutional Documents

The amended and restated memorandum and articles of association of the Company were adopted on 15 December 2017 to comply with the relevant provisions of the GEM Listing Rules.

The Board proposes to amend the existing memorandum and articles of association of the Company ("**Memorandum and Articles**") in order to bring the Memorandum and 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.

The proposed amendments to the Memorandum and Articles ("**Proposed Amendments**") are summarized below:

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

2. 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, regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;

3. 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;

4. to provide that 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

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

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2023 Annual General Meeting ("**2023 AGM**"). A circular containing, among other things, particulars relating to Proposed Amendments together with notice convening the 2023 AGM will be despatched to the Shareholders of the Company according to the applicable law, the Memorandum and Articles and the GEM Listing Rules.

General Meetings with Shareholders

The Company's AGM will be held on 20 June 2023.

Investor Relations

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company www.sling-inc.com.hk has provided an effective communication platform to the public and the shareholders.

COMPANY SECRETARY

Ms. Leung Sau Fong is the Company Secretary of the Company. She is a director of a corporate secretarial services provider in Hong Kong. The primary contact person of the Company with Ms. Leung is Mr. Yip Chun Wai, the Chief Financial Officer of the Company.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

During the year ended 31 December 2022, the Company Secretary confirmed that she had taken no less than 15 hours of relevant professional training.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Group is pleased to publish the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") for the reporting period from 1 January 2022 to 31 December 2022 (the "**Year**"). The ESG Report summarises the efforts and achievements made by the Group in corporate social responsibility and sustainable development.

Scope of the Report

The ESG Report focuses on the environmental and social performance of the Group's business in the design and sale of women's handbags. As Senhao Shangmao (Shanghai) Company Limited ("**Senhao Shanghai**"), an indirect wholly-owned subsidiary of the Company, has been the Group's principal operating arm in terms of sales and business operations, the disclosure of key performance indicators ("**KPIs**") in the Year continues focusing on the office operation of Senhao Shanghai, in the People's Republic of China (the "**PRC**"). The ESG Report presents our sustainability approach and performance in the environmental and social aspects of our business in the Year.

Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 20 to the GEM Listing Rules published by the Stock Exchange.

Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. Please refer to the section "Stakeholder Engagement" for details. The ESG Report has covered all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of key emission of these KPIs are stated wherever appropriate. To enhance the comparability of the ESG Report, the Group adopts consistent reporting format and methodologies for calculating KPIs as far as practicable. In case of any changes, explanation will be provided in the ESG Report to facilitate information interpretation.

Information and Feedback

For more details on the Group's environmental, social and corporate governance, please refer to the official website (http://sling-inc.com.hk/) of the Group. Your opinions will be highly valued by the Company. Should you have any advice or suggestions, please email to info@sling-inc.com.hk.

ESG GOVERNANCE

Effective management of ESG matters is crucial to the long term development of a business. The board of directors (the "**Board**") oversees the Group's ESG performance while the power of ESG management and execution has been decentralised to the Chief Financial Officer and different department heads, who provide regular update on the Group's development of ESG performance and strategies as well as compliance status of ESG-related issues to the Board through board meetings. The content and quality of the annual ESG report is reviewed and discussed by the Board to ensure its content is aligned with the Board's requirements and the Group's strategies. To ensure the ESG policies and measures are effectively implemented through a top-down approach, the management monitors the performance and cooperation between departments and urges related departments to seek for improvements in ESG strategies. In the Year, the Group has authorised a third-party ESG professional to assist in supervising the ESG-related management and the overall performance.

Furthermore, the Group attaches great importance to the opinions from different stakeholders for the management of ESG-related issues. Various stakeholder communication channels are reviewed regularly so that the Group could communicate effectively with different stakeholders. Also, clear criteria and basis was built for identification of potential ESG-related issues that are likely to influence the business and our stakeholders. After conducting materiality assessment, the issues would be prioritised and those with high significance to the Group and stakeholders are considered as material. This practice allows the Board to manage the ESG-related risks. The management would review the issues regularly and ensure appropriate ESG management policies are in place, so as to make response to the stakeholder expectations in a timely manner.

Based on the short term goals to enhance ESG performance of the Group, the Group endeavours to review plans and performance regarding its business operation and sustainable development. The Board would keep tracking the execution of the related work with respect to the proposed plans, and provides updates on the progress made.

Environmental, Social and Governance Report *(Continued)*

STAKEHOLDER ENGAGEMENT

The Group highly treasures the communication with stakeholders and takes their opinions as the basis for its formulation and implementation of short-term and long-term sustainability strategies. During the Year, stakeholder engagement and materiality assessment have been carried out, enabling us to understand the needs of stakeholders and identify our material ESG topics.

Communication with Stakeholders

The Group promotes its sustainability approach and ESG practices to stakeholders through various effective communication channels, in order to understand and take corresponding measures in meeting stakeholders' requirements and expectations.

Stakeholders	Requirements and Expectations	Means of Communication and Response
Government and Regulators	• Compliance with national policies, laws and regulations • Support local economic growth • Pay taxes in full and on time • Ensure production safety	• Report information regularly • Meet the regulators regularly • Release dedicated reports
Shareholders	• Compliant operation • Transparency in information and effective communication	• General meetings • Announcements • Email, telephone communication and company website • Release dedicated reports
Business Partners	• Operate with integrity • Equal rivalry • Performance of contacts • Mutual benefits and win-win result	• Review and appraisal meetings • Business communications • Exchanges and discussions • Engagement and cooperation
Customers	• Products and services of high quality • Health and safety • Performance of contracts • Operate with integrity	• Customer service centre and hotlines • Customer feedback surveys • Meetings with customers • Social media platforms
Environment	• Compliant emission • Energy saving and emission reduction • Environmental protection	• Communicate with local environmental department • Communicate with the locals
Industry	• Follow of industry standards	• Visits and inspections

Stakeholders	Requirements and Expectations	Means of Communication and Response
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares	• Employee communication meetings • Employee mailbox • Training and workshop • Employee activities
Community and the Public	• Improve community environment • Transparent information	• Company websites • Social media platforms

Materiality Assessment

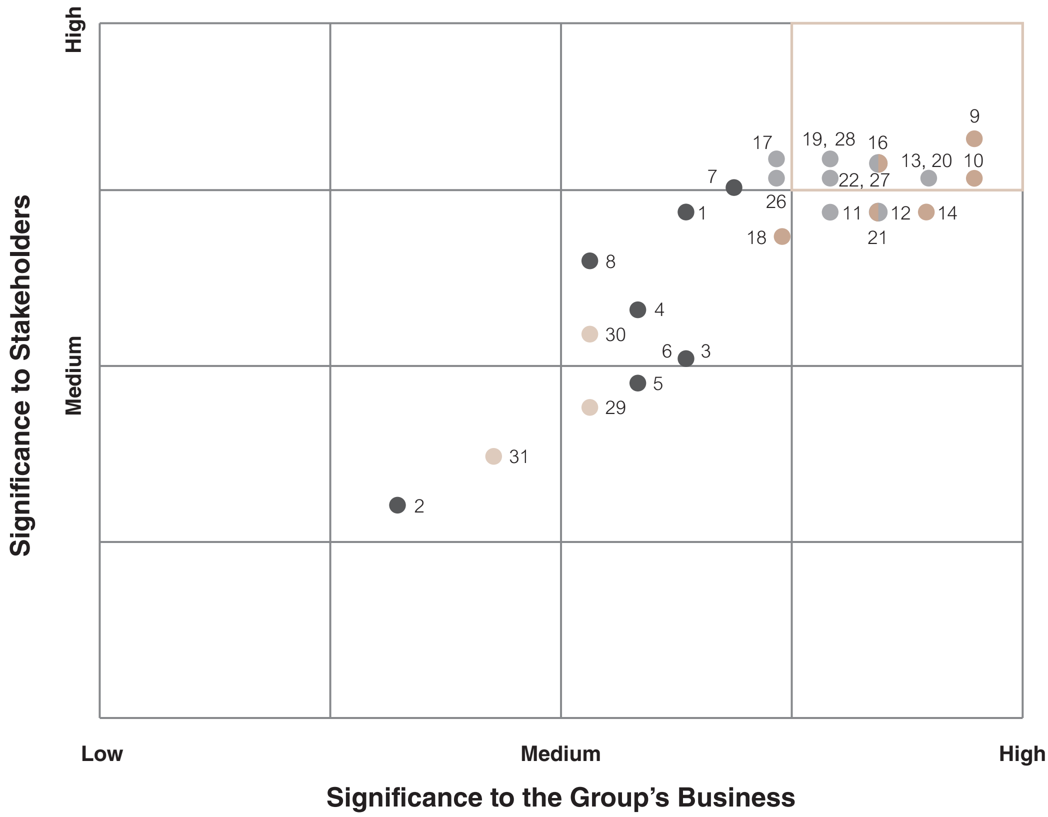
During the preparation of the ESG Report, the third-party ESG professional we entrusted also provided us assistance in conducting materiality assessment in a just and unbiased manner. The materiality assessment has been conducted based on the following three main phases:

i. Identifying potential material topics in respect of the Group's ESG performance that might affect its business or stakeholders;

ii. Conducting a questionnaire survey to understand the views and expectations of stakeholders on the Group's response to and disclosure of ESG issues;

iii. Prioritising potential material topics based on the questionnaires retrieved. By reviewing the result of the survey, key issues are identified and highlighted in the ESG Report.

Environmental, Social and Governance Report *(Continued)*



Environmental, Social and Governance Report *(Continued)*

Environment and Resources		Employment and Labour Practices		Operating Practices		Community Investment	
1	Environmental Compliance	9	Employment Compliance	16	Operational Compliance	29	Charity
2	Fleet Emissions Management	10	Employees' Remuneration and Benefits	17	Managing Environmental Risks of Supply Chain	30	Promotion of Community Development
3	Greenhouse Gas Emission	11	Employees' Working Hours and Rest Period	18	Managing Social Risks of Supply Chain	31	Poverty Alleviation
4	Waste Management	12	Diversity and Equal Opportunity	19	Procurement Practices		
5	Energy Consumption	13	Occupational Health and Safety	20	Quality Management		
6	Use of Water Resources	14	Training and Education	21	Customer Health and Safety		
7	Green Office	15	Prevention of Child Labour and Forced Labour	22	Responsible Sales and Marketing		
8	Responding to Climate Change			23	Customer Service Management		
				24	Intellectual Property Protection		
				25	Research and Development		
				26	Information Security		
				27	Customer Privacy Protection		
				28	Anti-corruption		

Environmental, Social and Governance Report *(Continued)*

By analysing the result of the questionnaire survey, the Group has identified 9 material topics which are disclosed in detail in the ESG Report.

Material Topics	Corresponding Sections
9 Employment Compliance	• Cares on Employees
10 Employees' Remuneration and Benefits	• Cares on Employees • Employment and Welfare
13 Occupational Health and Safety	• Cares on Employees • Health and Safety
16 Operational Compliance	• Operating Practices
19 Procurement Practices	• Operating Practices • Supply Chain Management
20 Quality Management	• Operating Practices • Supply Chain Management • Quality Assurance • After Sales Services
22 Responsible Sales and Marketing	• Operating Practices • Quality Assurance • After Sales Services
27 Customer Privacy Protection	• Operating Practices • Protection of Data and Privacy
28 Anti-corruption	• Operating Practices • Anti-corruption

PROTECTION TO THE ENVIRONMENT

The Group primarily designs, promotes and sells women's handbags, small leather goods and travel goods, including handle bags, clutch bags, wallets, coin cases, cardholders and suitcases in the PRC. Despite the manufacturing processes not being taken place within the Group, we recognise the importance of environmental protection and endeavor to minimise the environmental impact from our business operation. We keep a close watch on the relevant local laws and regulations related to wastewater, exhaust emissions and waste, including but not limited to the Law of the PRC on Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Environment Pollution by Solid Waste and Law of the PRC on Prevention and Control of Atmospheric Pollution. Senhao Shanghai has also provided training on environment, health and safety policy for employees and manufacturers to arouse their awareness of environmental protection.

Emissions

Since the Group's business operation focuses on the development and designs of products, we engage manufacturers to produce our products and involve neither in any production process nor the use of packaging material. Due to our business nature, we do not generate any industrial wastewater or industrial exhaust gas directly. Our wastewater is mainly domestic sewage which is discharged to the municipal drainage system, while our major exhaust emissions comes from our vehicles. Considering the insignificant air emissions generated by our sole vehicle, it is immaterial for the Group to set an air emissions target. Nevertheless, we conduct regular inspection and maintenance for the vehicle, as well as avoiding idling engine, so as to reduce the exhaust emissions and maintain the efficiency of the vehicle.

Exhaust emissions generated by the vehicles of Senhao Shanghai were as follows:

Emissions from Vehicles *(Note i)*	**2022**	2021
Nitrogen oxides (kg)	**0.50**	0.91
Sulphur oxides (kg)	**0.02**	0.03
Particulates (kg)	**0.04**	0.07

Note:

(i) The calculation was based on the emission factors from the "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

The non-hazardous waste generated by the Group, such as general waste in office, is collected and processed by the local environmental hygiene department for further handling. When there is hazardous waste generated, such as waste ink cartridge and electronic waste, it will be collected separately and handled properly. Our major source of hazardous waste is from dry batteries which are used to support our daily office operation. By upholding the "Reduce, Reuse, Replace and Recycle" principle, the Group collects and recycles all used batteries. Setting 2020 as the base year, our goal is to reduce hazardous waste and non-hazardous waste from 1 kg to 0.5 kg and from 12 kg to 10 kg respectively in 2023. During the Year, the non-hazardous waste is reduced to 10kg and amount of hazardous waste remained at a stable level.

Environmental, Social and Governance Report *(Continued)*

Hazardous waste and non-hazardous waste generated by Senhao Shanghai were as follows:

Wastes	2022	2021
Total hazardous waste generated (kg) *(Note i)*	**1**	1
Hazardous waste generated per square metre (kg/m^2)	**0.001**	0.001
Total non-hazardous waste generated (tonnes) *(Note ii)*	**10**	12
Non-hazardous waste generated per square metre ($tonnes/m^2$)	**0.01**	0.01

Notes:

(i) The hazardous waste generated was calculated based on the actual weight of used dry batteries.

(ii) The weight of non-hazardous waste was calculated based on the daily estimated volume of general waste in office, with reference to the conversion factors from the "Inquiry on the Charging Standard for Volume Measurement of Non-residential Daily Waste and Food Waste" issued by Beijing Municipal Commission of Urban Management.

Resources Conservation

Bearing the responsibility to protect the environment, we strive to become an environmentally friendly corporate. We have set an energy reduction target to reduce 10% purchased electricity consumption by 2024.To reduce energy consumption, we maximise the use of natural light, divide the office area into different light zones by using independent lighting switches and minimise unnecessary lighting fixtures. Energy-efficient electrical appliances are installed with regular cleansing of lighting fixtures and filters of air-conditioners to maintain the efficiency of lighting and air-conditioning systems. Other measures are also employed to enhance the energy efficiency of air-conditioning system, such as avoiding the positioning of air-conditioners with direct sunlight exposure, applying anti-ultraviolet films on windows, placing sealing strips on doors and windows, as well as carrying out regular leakage checks. In addition, regular monitoring on the energy consumption is carried out and appropriate follow-up will be taken if abnormal usage is found.

Employees' involvement is critical to resources conservation in the workplace. To achieve our energy reduction target, we always share energy saving tips and introduce various environmental protection measures to employees by means of emails and posters, such as switching off the lighting fixtures, air-conditioners and other electronic devices when not in use and adjusting the temperature of air-conditioners at an energy-efficient level. Employees are allowed to dress casually on every Friday and in hot weather, so as to minimise the use of air-conditioning.

Details of energy consumption of Senhao Shanghai were as follows:

Energy Consumption	**2022**	2021
Total energy consumption (MWh)	**81**	87
Energy consumption per square metre (MWh/m^2)	**0.10**	0.11
Purchased electricity (MWh)	**70**	66
Fuel consumption of vehicles (MWh) *(Note i)*	**11**	21

Note:

(i) The fuel consumption of vehicles was calculated with reference to the conversion factors from the "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

The Group is dedicated to raising employees' awareness on water conservation, thus water saving reminders such as turning off the faucet tightly are put up in the pantry. We also cooperate with the property management company for conducting regular water consumption monitoring and water pipe leakage tests. For any dripping tap spotted, we will request the property management company to fix it promptly to prevent water wastage. As the office of Senhao Shanghai is a rental property, the water consumption is shared among unit users in the building and is assigned by building management company. The Group does not have access to the actual water consumption, therefore it is not applicable for the Group to set a water reduction target.

Senhao Shanghai had no issue in sourcing water during the Year and its water consumption was as follows:

Water Consumption *(Note i)*	**2022**	2021
Total water consumption (m^3)	**785**	942
Water consumption per square metre (m^3/m^2)	**1.00**	1.20

Note:

(i) As the office of Senhao Shanghai is a rental property, the water consumption was estimated by the property management company according to the rented area.

Environmental, Social and Governance Report *(Continued)*

Green Operation

As a socially responsible corporation, the Group is committed to advocating green operations. In addition to growing plants in the office area, recycling bins are also in place for the collection of recyclable materials, such as waste paper, metals and plastics. The consumption amount of materials is evaluated before the procurement of office equipment, so as to avoid overstock. During the procurement stage, suppliers who obtained the certificate of environmental management system or with environmentally friendly products are prioritised, if applicable. Besides, employees are encouraged to reuse envelopes, folders, file cards and other stationery, and to reduce the use of disposable and non-recyclable products, for the purpose of waste reduction.

Furthermore, we emphasise the importance of minimising production waste and product waste. Manufacturers we engaged are encouraged to minimise the use of packaging material to the greatest extent. In respect of obsolete products, we inspect the conditions of such products and arrange product repair, as and when necessary. If the products are in good and resalable condition, they would be sold as discounted products to our customers or staffs through e-commerce platforms. In respect of returned products, if they are not in good or reasonable condition, we would sell them at our employees and family sales which are opened to our employees and their families and friends.

In pursuit of paperless office, the Group disseminates information through electronic communication channels to reduce paper consumption and the use of ink. Also, duplex and economy mode is set to be the default setting of all computers and printers, and reminders are placed next to printers to remind employees to use paper on both sides and to print double-sided. All discarded papers, except those printed with confidential information, are recycled by waste paper recycling companies. The removal of greenhouse gas emissions from recycling paper by Senhao Shanghai in the Year amounted to 63kg CO2e. Moreover, we monitor paper consumption and printing volume regularly with a print quota set for users when necessary.

Keeping abreast of the latest development of carbon reduction policy of the PRC government is our target in managing our greenhouse gas emission. We endeavors to reduce greenhouse gas emissions across the business by holding video conferences instead of any unnecessary overseas business travel, while direct flights are chosen for inevitable business travel. The Group advocates the selection of low-carbon or local food and easily accessible locations when organising activities. Employees are encouraged to travel by public transport and to participate in events held by green groups, so as to lower their carbon footprint. Moreover, the routes of transportation and goods delivery for third-party logistics service providers is optimised to reduce the carbon emissions in the downstream of supply chain.

Greenhouse gas emissions of Senhao Shanghai were as follows:

Greenhouse Gas Emissions	**2022**	2021
Total greenhouse gas emissions (tonnes CO_2e)	**55**	58
Greenhouse gas emissions per square metre (tonnes CO_2e/m^2)	**0.07**	0.07
Scope 1 — direct emissions (tonnes CO_2e) *(Note i)*	**3**	5
Scope 2 — energy indirect emissions (tonnes CO_2e) *(Note ii)*	**49**	46
Scope 3 — other indirect emissions (tonnes CO_2e) *(Note iii)*	**3**	7

Notes:

(i) Scope 1 direct emissions refers to greenhouse gas emissions from the fuel combustion in vehicles. The data was calculated based on the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial)" issued by the National Development and Reform Commission of the PRC.

(ii) Scope 2 energy indirect emissions refers to greenhouse gas emissions from the use of purchased electricity. The data was calculated based on the "Average Carbon Dioxide Emission Factors of China Regional Power Grid 2011 and 2012" issued by the National Development and Reform Commission of the PRC.

(iii) Scope 3 other indirect emissions refers to greenhouse gas emissions from the landfill disposal of paper waste, water processing by governmental organisations and business travel by employees.

Climate Change

Climate change has been a hot topic worldwide and its associated risks and impacts are closely related to all businesses. Recognising the potential consequences brought by the changing climate, the Group has taken various measures to identify and mitigate climate-related risks. The Group regularly reviews international and local government policies and regulations regarding climate change and greenhouse gases emissions to identify potential climate-related risks to the Group's business. If there are any identified climate-related risks, the Group will undertake risk assessment to evaluate the degree of vulnerability of relevant business operations and determine appropriate levels of climate-related risks tolerance. The Group has also assigned a dedicated staff to take responsibility of managing the risks and tracking the latest update on greenhouse gases emission reporting obligation.

During the Year, the Group has identified two major transition risks to the business. First, the shift in consumer preferences towards environmentally friendly products, which may pose a financial burden on its business operation by increased input prices on eco-friendly raw materials, in order to meet consumer expectations. Second, the gradual development of stringent rules and requirements on regulating environmental impacts of business activities, existing products and services may also result in increasing operation costs such as higher compliance costs and needs for implementing new practices, and even decreased demand for products that fail to meet the compliance requirements.

To mitigate the climate-related risks, the Group would review the latest market trend and reports as well as conducting comprehensive market research on climate-related risks and consumer preferences. We would also ensure effective communication channels with our stakeholders and provide update regarding climate-related impacts and our corresponding climate change strategies in a timely manner.

CARES ON EMPLOYEES

Hiring, motivating and retaining qualified employees is the crucial component of the success of the Group as an online and offline distributor. The Group strictly complies with the local laws and regulations regarding employment, employee benefits, labour standards and occupational health and safety, including but not limited to the Employment Ordinance and Occupational Safety and Health Ordinance of Hong Kong, as well as the Labour Law of the PRC, Labour Contract Law of the PRC and Law of the PRC on the Prevention and Control of Occupational Diseases. We strive to create a harmonious, comfortable and injury-free workplace by understanding employees' needs, protecting their rights and safeguarding them from harm.

Health and Safety

The Group attaches great importance to protecting the health and safety of employees and strictly abides by the relevant local laws and regulations. We offer labour insurance for employees in Hong Kong, as well as additional accident insurance and medical insurance for employees in the PRC to prevent and control occupational diseases. New employees in the PRC are required to complete physical checkups before officially on duty; in the meantime, existing employees undergo body checkups annually, in order to maintain a healthy body to perform the duty.

Senhao Shanghai provides employees and manufacturers with training on environment, health and safety policy to enhance their occupational health and safety awareness and skills, and getting familiar with relevant industrial health and safety knowledge. To achieve an injury-free workplace, personal protective equipment is provided for employees according to their different job positions, if necessary. Employees should also follow the safety rules and fire prevention measures, and maintain a clean and organised workplace. In case of any emergency, Senhao Shanghai has prepared an emergency plan for employees to evacuate safely.

During the Year, no work-related fatalities or work injuries were recorded within the Group, thus there was no lost day due to work injury. The number and rate of work-related fatalities of the Group in the past three years were as follows:

Health and Safety	**2022**	2021	2020
Number of work-related fatalities	**0**	0	0
Rate of work-related fatalities (%)	**0**	0	0

Response to Coronavirus Disease 2019

In light of the considerably high risk of rebound of Coronavirus Disease 2019 ("**COVID-19**") situation, Senhao Shanghai has strictly abided by relevant preventive regulations carried out by the regional government and building management company, and implemented various control and preventive measures to ensure the health and well-being of employees. For example, we strengthened sanitisation and cleaning throughout the office, and kept the office ventilated. All staff members were required to wear face masks to work as well as to take body temperature checkup every morning. Other measures like shortening working hours and shift work were also carried out to prevent the spread of disease among employees if necessary. For staffs who have left the province during holidays were required to adopt the work from home arrangement for at least 14 days, so as to ensure that they did not have any relevant symptoms during the incubation period and prevent spreading out the disease in the office. Besides, we avoided unnecessary gatherings such as physical meetings and large-scale events as practical as possible, in the aim of minimising the risk of transmission.

Employment and Welfare

A non-discriminatory approach is adopted throughout our entire hiring process for the sake of respecting cultural and individual diversity. All applicants receive equal opportunities and are considered solely based on their academic knowledge, abilities and relevant work experience, regardless of age, gender, nationality, pregnancy or disability. Once employed, new employees are required to provide copies of identification documents for age verification to prevent child labour. When false information is discovered, the Group would investigate the cases thoroughly and dismiss related employees immediately. To avoid any form of forced labour, we ensure employees clearly understand their job positions and entitled welfare before signing the employment contract. Employees are on duty in accordance with the laws and regulations relating to working hours and are given sufficient rest. A 40-hour work week is adopted. If employees are required to work overtime, they will be offered overtime payment or compensation leave in line with our internal policies. Outstanding wages will be paid to resigned employees on time, conforming to the relevant local laws and regulations. Exit meetings will be held to understand their reasons for leaving.

As at 31 December 2022, the Group had 54 employees, who are all full-time employees, in Hong Kong and the PRC. The number of employees and turnover rate categorised by age group, gender and geographic region were as follows:

Employment	**Number of Employees**		**Turnover Rate (%)**	
	2022	2021	**2022**	2021
Total	**54**	57	**14**	14
By Age Group				
Below 30 years old	**9**	10	**32**	20
Between 30 to 50 years old	**43**	44	**9**	14
Over 50 years old	**2**	3	**40**	0
By Gender				
Female	**42**	41	**21**	20
Male	**12**	16	**12**	0
By Geographical Region				
Hong Kong	**3**	3	**0**	0
PRC	**51**	54	**15**	15

Environmental, Social and Governance Report *(Continued)*

The Group endeavours to offer its employees attractive remuneration packages, which include salaries, bonus, retirement benefit scheme contributions and other benefits. Our remuneration policies, covering promotion, bonus and salary increment, are formulated on the basis of operating results of the Group, employees' individual performance, working experience, respective responsibilities, merits, qualifications and competence, and are comparable to the prevailing market practice, standards and statistics. The remuneration policies are regularly reviewed by our management as well. Contributions are made to different insurances according to the local laws and regulations. For instance, Senhao Shanghai pays "Five Social Insurances and One Housing Fund" for employees, including basic endowment insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and the Housing Provident Fund. Apart from public holidays, employees are entitled to annual leave, marriage leave, funeral leave, maternity leave and paternity leave.

We also highly value the work-life balance of employees, thus leisure activities and sports events are often held for employees' pleasure. During the Year, Senhao Shanghai has organised birthday parties and team building activity for its employees, to foster harmony in the workplace while increasing their sense of belonging.

Training and Development

In order to build an excellent team that is capable of coping with the rapid development and efficient operation of the Group, we conduct regular appraisals of employees' working performance and capability. Promotion is executed in terms of employees' abilities on a fair basis. To facilitate new employees' adaptation to the job, orientation in relation to our policies, structure and brand history is provided to new employees. With respect to the new frontline retail staff, a senior shop assistant is assigned to acquaint the new shop assistant with the operation practice in retail shops. Product-related training is organised before launching every new product. Subsidies are given to employees who are in pursuit of relevant professional qualifications related to the industry or their job positions. With respect to the development of our designers, the Group fully supports them to regularly visit local centres, attend various trade and/or fashion exhibitions, and actively observe the trends. They also seek inspiration through various channels, such as fashion shows, exhibitions and magazines, to acquire experience, as well as keep abreast of the latest fashion trends and seasonal theme.

During the Year, our staff members participated in a total 72 hours of training and the average training hours and percentage of employees trained were as follows:

Training	**Percentage of Employees Trained (%)**		**Average Training Hours (hours)**	
	2022	2021	**2022**	2021
Total	**2**	11	**2.96**	1.26
By Gender				
Male	**0**	6	**0**	0.50
Female	**2**	12	**3.81**	1.56
By Employment Category				
Senior management	**1**	18	**8.00**	0.73
Middle management	**0**	50	**0**	8.00
General staff	**1**	0	**2.16**	0

OPERATING PRACTICES

Since the Group primarily designs, promotes and sells women's handbags, small leather goods and travel goods in the middle-end women's handbag market, we have operated in compliance with relevant laws and regulations in regard to retail industry, including but not limited to the Trade Description Ordinance, Trade Marks Ordinance, Copyright Ordinance and Prevention of Bribery Ordinance of Hong Kong, as well as the Law of the PRC on Protection of Consumer Rights and Interests, Trademark Law of the PRC, Advertising Law of the PRC, Product Quality Law of the PRC and Criminal Law of the PRC.

In pursuit of trendy handbags and high service quality, rigorous supply chain management and quality control procedures have been implemented. As a client-oriented corporate, we strictly uphold our business ethics when dealing with customers, especially integrity and honesty. We respect others' copyrights and do not tolerate any infringement during the product design. Meanwhile, factual trade description is provided to consumers during our sales and advertisement.

Supply Chain Management

The Group strategically focuses its resources on the design and development of products, promotion of the brands and management of sales network. Having considered the capital investment needed in establishing and operating a factory for manufacturing products, we decided to engage suppliers as our products' manufacturers. Suppliers are generally responsible for procurement of raw materials for the manufacture of our products. Internal measures are implemented to govern the selection and evaluation of suppliers and to monitor their continuous performance on productivity, quality and delivery.

During the Year, all suppliers were governed by the abovementioned supplier management procedures. The number of suppliers by geographical region was as follows:

Distribution of Suppliers	**2022**	2021
Total	**16**	8
By Geographical Region		
South China	**16**	8

When we engage a new supplier, our quality control team from product design and development department will conduct on-site examinations of the candidate supplier's facilities to assess its production and technical capabilities, and working conditions of the manufacturing facilities, in order to ensure compliance with our manufacturing standards. Besides, we will observe whether the workers have followed any occupational health and safety procedures during the manufacturing process so as to identify any potential health and safety risks of the candidate suppliers. We also request candidate suppliers to provide sample products for examination. Only those suppliers who pass our examinations will be selected. Regular reviews on suppliers' performance are also undertaken in different terms, such as on-time delivery, maintenance rate and return rate.

Providing products of high quality and safety depends on the selection of suitable suppliers. Whenever we finalise the product designs for the upcoming season, we select suppliers from our existing network based on various requirements, including the complexity of product design, experience of suppliers, level of craftsmanship, production capacity and effectiveness of quality control. Priority will be given to the suppliers who provide environmentally friendly products or obtain the certificate of environmental management system when applicable, so as to minimise the environmental impact. On the other hand, stringent selection of service providers of warehouse and logistic are conducted. The service provider of the warehouse is considered based on its location, environment, and equipment. The hygiene condition of the warehouse and its surrounding environment will be assessed to minimise the supplier's environmental risks. Also, we will evaluate equipment such as forklifts and elevators to ensure that they have passed the safety appraisal of local labour bureau, thereby minimising the health and safety risks of the suppliers. For logistics company, it is selected according to its delivery, management and performance pledge.

Apart from selling products directly through our online and offline retail points, third-party retailers are engaged in the products sales through their own online or offline retail points. Therefore, we implement standard procedures for our retailers to operate their retail points and enter into cooperation agreements with third-party retailers. We select third-party retailers conscientiously based on their background, industry experience, scale of operation, financial condition, reputation and retail point location. Regular monitoring, review and assessment on the sales, financial, and operational performance of third-party retailers are undertaken in order to ensure the end customers enjoy wonderful shopping experience from the third-party retailers. The third-party retailers are also required to install our information management system and provide us with sales data on a weekly or monthly basis for a better understanding of their performance.

Quality Assurance

Our brand portfolio comprises of two brands, which are tailored to the preferences of consumers in different age groups, including the licensed brand, ELLE, and the self-owned brand, Jessie & Jane. In order to design trendy and appealing products and keep abreast of the latest fashion trends and seasonal theme, our designers regularly visit local and international fashion centres, attend various trade and/or fashion exhibitions, and actively observe the trends, as well as seeking inspiration through various channels, including fashion shows, exhibitions and magazines. After forming product plans on the basis of market researches and planning conducted, design team will create product designs, and designers will select raw materials and instruct the manufacturers to produce product prototypes. During the time of reviewing and commenting on the prototypes, our licensor reviews, modifies and/or approves our designs for ELLE products before launching the products.

As we engage manufacturers to produce the products, we place the importance on product quality and safety by implementing quality control measures to ensure the finished products produced by manufacturers are of high standard. We examine the quality of raw materials purchased by manufacturers on a sampling basis, perform our testing and have the raw materials tested by third-party laboratories, while our quality control personnel visits the production facilities of manufacturers before commencing product manufacturing, in order to ensure that the raw materials are up to our quality control standard and to control the potential safety hazards. Also, various quality checks are carried out by our on-site quality control personnel throughout the production process, including on-site inspections, examination of semi-finished products and finished products, and testing on finished products on a sampling basis, to assure the products manufactured are of good condition and consistent quality. If any defects or irregularities are discovered, we would review the findings and perform follow-up actions with the manufacturers. After the manufacturing process, manufacturers are responsible for packing the finished products according to our instructions. Our quality control personnel will inspect the packaging afterwards on a sampling basis to ensure that the packaging of finished products is up to our requirements and specifications.

Environmental, Social and Governance Report *(Continued)*

Besides, we have a clear operation guideline for our retail employees to assure that the quality of services provided by our retail employees is up to standard. We also engage online store operators for their IT support, customer service and delivery service, so as to facilitate the operation of our self-operated online retail points. The online store operators assist us to upload information and design our online stores' websites and/or third-party-operated e-commerce platforms. When an end customer purchases products from our self-operated online retail points, online store operators will arrange the delivery. To ensure that finished products are delivered to our warehouse and sales network on time, we keep close communication with the manufacturers, third-party retailers and third-party logistics companies regarding the time of delivery.

Further to the quality of services provided by third-party retailers, we conduct on-site supervision to the retailer-operated retail points from time to time to make sure they operate in accordance with our policies and operational procedures. We place great emphasis on the training of employees at retail points, and offer in-house training on various retail operation matters to the third-party retailers. The moment when an employee joins the third-party retailers or before the commencement of their work at retailer-operated retail points, such training is conducted. During the Year, there were no products sold or shipped subject to recalls for safety and health reasons.

After Sales Services

Apart from the rigorous quality control procedures, we also provide top quality after sales services to our customers. For the products sold through third-party e-commerce platforms, customers are entitled to return the products within 7 days of receipt without giving a reason. For the products sold through the offline retail points operated by the Group or third-party retailers, end consumers are generally allowed to return the products within 7 days without giving a reason, provided that the products are in saleable condition when returned. If there is any product quality issue, we would allow returning the products within 90 days after purchased.

To further enhance customer satisfaction, we provide a life-long maintenance service for the leather products of ELLE to our customers and only charge for the material costs. The online store operators are engaged to assist us to reply our end customers' queries about our products and services on a daily basis on our behalf, while a department is designated for handling complaints from our customers or third-party retailers. A well-established complaint handling procedure is implemented as follows:

During the Year, the Group has received 1,360 products-related complaints. Most of the complaints received were solved by repairing by manufacturers, while the remaining cases were unrepairable due to man-made loss or natural loss. If there is any product defect issues within the product warranty period, which is six months after the delivery of products by manufacturers to us, we would arrange the return of products to the manufacturers.

Observation of Intellectual Property Rights

Proper management of our licensed brand, ELLE, and our self-owned brand, Jessie & Jane, trademarks and other intellectual property rights are the keys to our success. To observe the intellectual property rights of the Group and other parties, we continue to abide by the laws and regulations related to intellectual property rights. Intellectual property protection clauses are set out in the agreements with our suppliers, third-party retailers and others, for instance limiting the number of brand labels used by the manufacturers, so as to protect our trademarks and other intellectual property rights. Meanwhile, we respect intellectual property rights and do not tolerate any breach of third parties' copyrights.

Protection of Data and Privacy

The Group always conforms to the laws and regulations in relation to data and privacy protection. Employees are required to maintain the Group's information with the highest degree of confidentiality, including the information of sales, research and development and all sensitive information from clients. In the meantime, employees should refrain from disclosing any confidential information to third parties without our consent and authorisation, no matter during employment or after the termination of employment. Confidentiality clauses are listed in the agreements with suppliers, third-party retailers and other business partners to protect the trade details and secrets of both sides. In addition, we are committed to protecting our software system away from the virus by prohibiting employees to download software unrelated to work.

Anti-corruption

The Group adheres to the fairness and integrity principles for business operation, and strictly abides by laws and regulations regarding anti-corruption. Under the policy of conflict of interest, employees are strictly forbidden to undertake any activity which collides or competes with the interests of the Group during the employment. Employees are also required to make a declaration on any possible conflict of interest. During the Year, the Group had no concluded legal cases regarding corrupt practices. We will provide trainings for our directors and staff to enhance their awareness of integrity and anti-corruption in the future as there was no anti-corruption training conducted during the Year.

CONTRIBUTION TO COMMUNITY

The Group cares about the community where it operates and always encourages employees to actively participate in volunteer services and charitable events. We also strive to incorporate corporate social responsibility into our business, so as to give back to society. In the future, we will keep showing our care to the community and fostering social development through various means and actions, aiming to build a harmonious society. During the Year, the community engagement do not involve the use of resources.

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Environmental			
Aspect A1: Emissions	General disclosure	Protection to the Environment • Emissions	35–36
KPI A1.1	The types of emissions and respective emissions data.	Protection to the Environment • Emissions	35
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Protection to the Environment • Green Operation	39
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Protection to the Environment • Emissions	36
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Protection to the Environment • Emissions	36
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Protection to the Environment • Emissions • Green Operation	35
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.	Protection to the Environment • Emissions • Green Operation	35

Environmental, Social and Governance Report *(Continued)*

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Aspect A2: Use of Resources	General disclosure	Protection to the Environment • Resources Conservation	36–37
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Protection to the Environment • Resources Conservation	37
KPI A2.2	Water consumption in total and intensity.	Protection to the Environment • Resources Conservation	37
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Protection to the Environment • Resources Conservation	37
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.	Protection to the Environment • Resources Conservation	37
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	N/A	The Group's business does not involve the use of packaging material.
Aspect A3: The Environment and Natural Resources	General disclosure	Protection to the Environment • Green Operation	38–39
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protection to the Environment • Green Operation	38–39
Aspect A4: Climate Change	General disclosure	Protection to the Environment • Climate Change	39
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.	Protection to the Environment • Climate Change	39

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Social			
Aspect B1: Employment	General disclosure	Cares on Employees • Employment and Welfare	41–42
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Cares on Employees • Employment and Welfare	41
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Cares on Employees • Employment and Welfare	41
Aspect B2: Health and Safety	General disclosure	Cares on Employees • Health and Safety	40–41
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Cares on Employees • Health and Safety	40
KPI B2.2	Lost days due to work injury.	Cares on Employees • Health and Safety	40
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Cares on Employees • Health and Safety	40–41
Aspect B3: Development and Training	General disclosure	Cares on Employees • Training and Development	42
KPI B3.1	The percentage of employees trained by gender and employee category.	Cares on Employees • Training and Development	42
KPI B3.2	The average training hours completed per employee by gender and employee category.	Cares on Employees • Training and Development	42

Environmental, Social and Governance Report *(Continued)*

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Aspect B4: Labour Standards	General disclosure	Cares on Employees • Employment and Welfare	41
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Cares on Employees • Employment and Welfare	41
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Cares on Employees • Employment and Welfare	41
Aspect B5: Supply Chain Management	General disclosure	Operating Practices • Supply Chain Management	43–44
KPI B5.1	Number of suppliers by geographical region.	Operating Practices • Supply Chain Management	43
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 • Supply Chain Management	43–44
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 • Supply Chain Management	44
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 • Supply Chain Management	44

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Aspect B6: Product Responsibility	General disclosure	Operating Practices • Quality Assurance • After Sales Services • Observation of Intellectual Property Rights • Protection of Data and Privacy	44–46
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices • Quality Assurance	45
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Operating Practices • After Sales Services	45
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices • Observation of Intellectual Property Rights	46
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices • Quality Assurance	44–45
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices • Protection of Data and Privacy	46

Environmental, Social and Governance Report *(Continued)*

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Aspect B7: Anti-corruption	General disclosure	Operating Practices • Anti-corruption	46
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 • Anti-corruption	46
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practices • Anti-corruption	46
KPI B7.3	Description of anti-corruption training provided to directors and staff.	N/A	The Group has not organised anti-corruption training in the Year and will start conducting related training in the future.
Aspect B8: Community Investment	General disclosure	Contribution to Community	46
KPI B8.1	Focus areas of contribution.	Contribution to Community	46
KPI B8.2	Resources contributed to the focus area.	Contribution to Community	46

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2022.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 6 January 2017.

The Company completed the corporate reorganisation (the "**Reorganisation**") on 4 December 2017 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Development" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 16 January 2018 by way of placing and public offer.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of design, promote and sell women's handbags, small leather goods and travel goods in the PRC. Details of the principal activities and other particulars of the subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Management's Discussion and Analysis" set out on pages 6 to 11 and "Environmental, Social and Governance Report" on page 28 to 52 of this Annual Report. This discussion forms part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 5 to the consolidated financial statements.

There is no significant event affecting the Group that has occurred after the year ended 31 December 2022. The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 70 to 131.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2022 (2021: Nil).

Directors' Report *(Continued)*

DIVIDEND POLICY

The Company has adopted a dividend policy. The Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's current and future operations, actual and expected financial performance;

(b) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(c) any corporate development plans;

(d) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(e) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Laws of the Cayman Islands, the Articles of the Company and any applicable laws, rules and regulations.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company has RMB Nil reserves available for distribution calculated in accordance with the statutory provisions of the Cayman Islands (2021: RMB10.4 million).

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Social responsibility is an important part of how we do business. We work towards making a positive impact on the welfare of our employees, customers and suppliers. In relation to the environmental, social and governance performance of the Company during the year ended 31 December 2022, please refer to the ESG Report on pages 28 to 52 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Shares were listed on GEM of the Stock Exchange on 16 January 2018. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022 and up to the date of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 132 of this Annual Report.

DIRECTORS OF THE COMPANY

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive Directors
Mr. Yau Frederick Heng Chung
Mr. Lee Tat Fai Brian

Non-executive Directors
Mr. Yau Sonny Tai Nin
Mr. Yau Tai Leung Sammy

Independent non-executive Directors
Mr. Won Chik Kee
Mr. Feng Dai
Ms. Sit Ting Fong

Pursuant to Article 105 of the Articles, Mr. Yau Sonny Tai Nin, Mr. Won Chik Kee and Mr. Feng Dai, will retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, being Mr. Yau Frederick Heng Chung and Mr. Lee Tat Fai Brian entered into a service agreement with the Company on 15 December 2017 for an initial term of 3 years commencing from 15 December 2017, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the non-executive Directors, being Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy, entered into a letter of appointment with the Company on 15 December 2017 for a term of 2 years commencing from 15 December 2017, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the independent non-executive Directors, being Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong, has entered into a letter of appointment with the Company on 15 December 2017, 15 December 2017 and 31 January 2019, respectively, for a term of 2 years commencing from 15 December 2017, 15 December 2017 and 31 January 2019, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Apart from the contracts and agreements relating to the Reorganisation and saved as disclosed in this Annual Report, there was no transaction, arrangement or contract of significance to which the Company or any related companies (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Directors confirm that none of the Controlling Shareholders, namely Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Ms. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng BVI, the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the year ended 31 December 2022 and up to the date of this Annual Report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the share option scheme (the "**Share Option Scheme**") on 15 December 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors, fulltime employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on 16 January 2018, the date of Listing. The Share Option Scheme will remain in force for a period of 10 years commencing on 15 December 2017.

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the year and there was no share option outstanding as at 31 December 2022.

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 15 December 2017:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 18, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the "**Invested Entity**") in which our Group holds an equity interest;

(bb) any non-executive Directors (including independent non-executive Directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provide research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of 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 above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) 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 Shares in issue on the day on which trading of the Shares commence on GEM (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit 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 options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those 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 scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. 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 each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vi) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1 is payable on acceptance of the grant of an Option.

(vii) 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.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Company's shares (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning 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 any interest or short positions which they are taken or deemed to have under such provisions of the SFO); or 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 and to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of director	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Yau Tai Leung Sammy *(Note)*	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%
Mr. Yau Sonny Tai Nin *(Note)*	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%

Note: Yen Sheng Investment Limited ("**Yen Sheng BVI**") was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the SFO, Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

(ii) Long position in the ordinary shares of associated corporations

Name of director	Position in the associated corporations	Percentage of interest in the associated corporation
Mr. Yau Tai Leung Sammy	Director of Yen Sheng BVI	49.31% in Yen Sheng BVI
Mr. Yau Sonny Tai Nin	Director of Yen Sheng BVI	49.23% in Yen Sheng BVI
Mr. Yau Frederick Heng Chung	Director of Yen Sheng BVI	0.69% in Yen Sheng BVI

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this Annual Report, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or an body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), would have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Long/Short position	Nature of interest	Shares held	Percentage of shareholding
Yen Sheng Investment Limited ("**Yen Sheng BVI**")	Long position	Beneficial owner	291,838,960	52.1141%
Yau Tai Leung Sammy *(Note 1)*	Long position	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%
Chan Yee Ling Elaine *(Note 2)*	Long position	Interests of spouse	291,838,960	52.1141%
Yau Sonny Tai Nin *(Note 1)*	Long position	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%
Hiang Siu Wei Cecilia *(Note 3)*	Long position	Interests of spouse	291,838,960	52.1141%
Summit Time Resources Limited	Long position	Beneficial owner	128,161,040	22.8859%
Li Wing Chi Agnes *(Note 4)*	Long position	Interest in a controlled corporation	128,161,040	22.8859%
Lee Shui Kwai Victor *(Note 5)*	Long position	Interests of spouse	128,161,040	22.8859%

Notes:

1. Yen Sheng BVI was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the SFO, Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

2. Ms. Chan Yee Ling Elaine is the spouse of Mr. Yau Tai Leung Sammy. By virtue of the SFO, Ms. Chan Yee Ling Elaine is deemed to be interested in all the Shares held by Mr. Yau Tai Leung Sammy.

3. Ms. Hiang Siu Wei Cecilia is the spouse of Mr. Yau Sonny Tai Nin. By virtue of the SFO, Ms. Hiang Siu Wei Cecilia is deemed to be interested in all the Shares held by Mr. Yau Sonny Tai Nin.

4. Summit Time Resources Limited was wholly owned by Ms. Li Wing Chi Agnes. By virtue of the SFO, Ms. Li Wing Chi Agnes is deemed to be interested in all the Shares held by Summit Time Resources Limited.

5. Mr. Lee Shui Kwai Victor is the spouse of Ms. Li Wing Chi Agnes. By virtue of the SFO, Mr. Lee Shui Kwai Victor is deemed to be interested in all the Shares held by Ms. Li Wing Chi Agnes.

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

MAJOR CUSTOMERS AND SUPPLIERS

The information on purchases and sales for the year attributable to the Group's major suppliers and customers is as follows:

	Percentage of the Group's total	
	Purchases	**Sales**
The largest supplier	39.0%	—
Five largest suppliers combined	87.1%	—
The largest customer	—	9.9%
Five largest customers combined	—	19.0%

At no time during the year, the Directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's number of issued shares) had any interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, at least 25% of the Company's total number of issued share was held by the public required under GEM Listing Rules.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules. Further details of the transactions are included in note 30 to the consolidated financial statements.

EXEMPTED CONTINUING CONNECTED TRANSACTION

On 1 January 2019, a tenancy agreement was renewed with Unigrade International Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Lee Sang Investment Company, Limited, and Sling Incorporated Limited (as tenant), in respect of a property situated at Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Hong Kong, for a term of 36 months commencing on 1 January 2019 and ending on 31 December 2021 (both days inclusive) at a monthly rental of HK$26,033. After the office downsizing and negotiation with the landlord, the lease has renewed annually and kept at a monthly rental of $5,460. Based on the fixed monthly rent under the tenancy agreement, the annual cap in respect of the annual rental payable by our Group to Unigrade International Limited for the year ended 31 December 2022 will be RMB56,178. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of our Company under Rule 20.74 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely Yen Sheng Investment Limited, Mr. Yau Sonny Tai Nin, Mr. Yau Tai Leung Sammy, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia, entered into the Non-Competition Undertaking in favour of the Company on 15 December 2017 (the "**Undertaking**"), details of which have been set out in the prospectus of the Company dated 29 December 2017.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Undertaking for the year ended 31 December 2022. The independent non-executive Directors have also reviewed the compliance and enforcement of the non-competition undertakings under the Undertaking by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Undertaking during the year.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles. Such provisions are put in force after the Listing and remained in force as of the date of this Annual Report. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

CORPORATE GOVERNANCE

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 16 to 27 of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2022 to the date of this Annual Report, save as disclosed in this Annual Report, the Board is not aware of any significant events requiring disclosure that have occurred.

AUDITOR

The Company's auditor, Grant Thornton Hong Kong Limited, retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of Grant Thornton Hong Kong Limited, as the independent auditor of the Company will be proposed at the forthcoming AGM. There is no change in auditor since the date of the Listing.

On behalf of the board
Sling Group Holdings Limited
Yau Frederick Heng Chung
Chairman

Hong Kong
28 March 2023

Independent Auditor's Report

Grant Thornton
致同

To the members of Sling Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sling Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 131, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 the 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.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS

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

Key Audit Matter	How the matter was addressed in our audit
Valuation of inventories	
Refer to significant accounting policies in note 2.8, sources of estimation uncertainty in note 4.1 and note 17 to the consolidated financial statements. As at 31 December 2022, the Group has inventories of approximately RMB25,581,000 net of impairment provision amounting to RMB6,326,000. Inventories are carried at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. We focused on this area because the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of changes in market conditions.	Our audit procedures in relation to the assessment of management's estimate of impairment of inventories included: • Understanding and evaluating the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing and retail pricing strategy, sales forecast and latest market conditions; • Re-calculating on a sample basis, the inventory provision made on individual stock keeping units; • Reviewing and analysing the ageing of inventories; • Checking, on a sample basis, the volume and price of future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of reporting period; and • Assessing the sufficiency of impairment where the estimated net realisable value is lower than the cost. Based on the procedures performed, we consider management's judgement and estimate in assessment of the net realisable value of inventories, to be supported by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements 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.

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

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

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

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

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

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

- 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide 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.

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

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

28 March 2023

Lau Kwong Kei
Practising Certificate No.: P07578

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	5	**96,070**	135,193
Cost of sales		**(44,189)**	(62,263)
Gross profit		**51,881**	72,930
Other revenue and income	6	**2,045**	3,576
Government grants	6	**601**	538
(Impairment losses on)/Reversal of trade and other receivables, net		**(1,287)**	445
Re-measurement of put option liability	25	**23**	493
Selling and distribution costs		**(52,577)**	(71,435)
Administrative and other operating expenses		**(17,374)**	(17,151)
Finance costs	7	**(655)**	(435)
Loss before income tax	8	**(17,343)**	(11,039)
Income tax credit	9	**210**	928
Loss for the year		**(17,133)**	(10,111)
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**1,475**	(610)
Total comprehensive loss for the year		**(15,658)**	(10,721)
Loss for the year attributable to:			
Equity holders of the Company		**(16,296)**	(8,598)
Non-controlling interests		**(837)**	(1,513)
		(17,133)	(10,111)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(14,821)**	(9,208)
Non-controlling interests		**(837)**	(1,513)
		(15,658)	(10,721)
		RMB cents	RMB cents
Loss per share attributable to equity holders of the Company			
Basic and diluted	12	**(2.91)**	(1.54)

The notes on pages 76 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**814**	1,223
Intangible assets	*15*	**2,392**	2,584
Financial asset at fair value through profit or loss ("FVTPL")	*16*	**953**	751
Deferred tax assets	*26*	**3,086**	2,876
		7,245	7,434
Current assets			
Inventories	*17*	**25,581**	34,707
Trade and other receivables	*18*	**6,478**	12,162
Amounts due from shareholders	*19a*	**9**	8
Income tax recoverable		**372**	163
Cash and bank balances	*20*	**9,659**	4,892
		42,099	51,932
Current liabilities			
Trade and other payables	*21*	**19,287**	22,463
Contract liabilities	*23*	**1,500**	433
Bank borrowings	*24*	**20,963**	17,861
Amount due to the then immediate holding company	*19c*	**8**	6
Lease liabilities	*22*	**244**	433
Put option liability	*25*	**—**	23
Income tax payable		**234**	—
		42,236	41,219
Net current (liabilities)/assets		**(137)**	10,713
Total assets less current liabilities		**7,108**	18,147
Non-current liabilities			
Lease liabilities	*22*	**227**	74
Loans from shareholders	*19b*	**3,573**	—
Loan from a director	*19b*	**893**	—
		4,693	74
Net assets		**2,415**	18,073

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Share capital	*27*	**4,470**	4,470
Reserves	*28*	**5**	14,826
Equity attributable to equity holders of the Company		**4,475**	19,296
Non-controlling interests		**(2,060)**	(1,223)
Total equity		**2,415**	18,073

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

The notes on pages 76 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company									
	Share capital RMB'000 *(note 27)*	Share premium* RMB'000 *(note 28)*	Capital reserve* RMB'000 *(note 28)*	Statutory reserve* RMB'000 *(note 28)*	Put option reserve* RMB'000 *(note 28)*	Translation reserve* RMB'000	Accumulated losses* RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	4,470	35,026	10,520	1,195	(3,658)	1,232	(20,281)	28,504	290	28,794
Loss for the year	–	–	–	–	–	–	(8,598)	(8,598)	(1,513)	(10,111)
Other comprehensive expense:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	(610)	–	(610)	–	(610)
Total comprehensive loss for the year	–	–	–	–	–	(610)	(8,598)	(9,208)	(1,513)	(10,721)
As at 31 December 2021	4,470	35,026	10,520	1,195	(3,658)	622	(28,879)	19,296	(1,223)	18,073
As at 1 January 2022	**4,470**	**35,026**	**10,520**	**1,195**	**(3,658)**	**622**	**(28,879)**	**19,296**	**(1,223)**	**18,073**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(16,296)**	**(16,296)**	**(837)**	**(17,133)**
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,475**	**–**	**1,475**	**–**	**1,475**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**1,475**	**(16,296)**	**(14,821)**	**(837)**	**(15,658)**
As at 31 December 2022	**4,470**	**35,026**	**10,520**	**1,195**	**(3,658)**	**2,097**	**(45,175)**	**4,475**	**(2,060)**	**2,415**

* The reserve accounts comprise the Group's reserves of RMB5,000 (2021: RMB14,826,000) in the consolidated statement of financial position.

The notes on pages 76 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Loss before income tax		**(17,343)**	(11,039)
Adjustments for:			
Amortisation of intangible assets	*8*	**208**	204
Depreciation of property, plant and equipment	*8*	**798**	983
Write-down of inventories to net realisable value	*8*	**1,533**	2,213
Fair value gains on financial asset at FVTPL	*8*	**(121)**	(174)
Re-measurement of put option liability		**(23)**	(493)
Impairment losses on/(Reversal of) trade and other receivables, net		**1,287**	(445)
Losses on written-off of property, plant and equipment	*8*	**—**	17
Unrealised exchange differences		**2,961**	(1,089)
Rent concessions related to COVID-19	*6*	**(53)**	—
Gain on early termination for lease	*8*	**(11)**	—
Interest income	*6*	**(64)**	(165)
Interest expenses	*7*	**655**	435
Operating loss before working capital changes		**(10,173)**	(9,553)
Decrease/(Increase) in inventories		**7,593**	(6,738)
Decrease in trade and other receivables		**4,489**	1,828
Decrease in restricted cash		**—**	54
(Decrease)/Increase in trade and other payables		**(3,262)**	4,588
Increase in contract liabilities		**1,067**	74
Decrease in amount due to the then immediate holding company		**—**	(7)
Cash used in operations		**(286)**	(9,754)
Interest paid		**(655)**	(423)
Tax refund		**—**	59
Net cash used in operating activities		**(941)**	(10,118)
Cash flows from investing activities			
Purchases of property, plant and equipment		**—**	(230)
Purchases of intangible assets		**(16)**	(14)
Interest received	*6*	**64**	165
Net cash generated from/(used in) investing activities		**48**	(79)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		**27,870**	30,112
Repayment of bank borrowings		**(26,236)**	(28,289)
Proceeds from loans from shareholders		**3,573**	—
Proceeds from loan from a director		**893**	—
Payment of lease liabilities		**(406)**	(595)
Net cash generated from financing activities		**5,694**	1,228
Net increase/(decrease) in cash and cash equivalents		**4,801**	(8,969)
Cash and cash equivalents at the beginning of the year		**4,892**	13,845
Effect of foreign exchange rate changes		**(34)**	16
Cash and cash equivalents at the end of the year	*20*	**9,659**	4,892

The notes on pages 76 to 131 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Sling Group Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 January 2017. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design and sale of women's handbags, small leather goods, luggage and travel goods.

The Company's immediate and ultimate holding company is Yen Sheng Investment Limited ("Yen Sheng BVI"), a company incorporated in the British Virgin Islands ("BVI") and controlled by Mr. Yau Tai Leung Sammy ("Mr. Sammy Yau"), Mr. Yau Sonny Tai Nin ("Mr. Sonny Yau"), Mr. Yau Frederick Heng Chung ("Mr. Fred Yau"), Mr. Yau Nicholas Heng Wah ("Mr. Nicholas Yau") and Ms. Hiang Siu Wei Cecilia ("Ms. Cecilia Hiang").

The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 28 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for financial asset at FVTPL which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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 4.

Going concern basis

During the year ended 31 December 2022, the Group recorded a net loss of RMB17,133,000 and net cash used in operating activities of RMB941,000. The Group's operations are financed by bank borrowings, loans from related parties and internal resources. As at 31 December 2022, the Group had net current liabilities of RMB137,000. The Group's cash and bank balances amounting to RMB9,659,000 as at 31 December 2022.

The Company has reviewed the current performance and cash flows forecast as part of the assessment of its own ability to continue as a going concern, and carefully considered the matters and detailed assessment of going concern set out in note 4.1. The Company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in the other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to the profit or loss or transferred directly to retained profits). 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.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

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 Company's functional currency is Hong Kong dollars ("HK$"). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "PRC") and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in the profit or loss, any exchange component of that gain or loss is also recognised in the profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in translation reserve in equity.

2.4 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.11) are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line basis, at the following rates per annum:

Leasehold improvement	Shorter of useful lives or lease period
Office equipment	20–50%
Computer equipment	20–50%
Motor vehicles	20%

Accounting policy for depreciation of right-of-use assets is set out in note 2.11.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. The proceeds from selling any such items and the related costs are recognised in the profit or loss.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

2.5 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment loss. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	1–5 years

Trademark which is classified as intangible asset with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

The trademark has a legal life of 10 years and renewable every 10 years at minimal cost. The directors are of the opinion that the Group would renew the trademark continuously and has the ability to do so.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.16.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the profit or loss are presented within finance costs, other revenue and income or other financial items, except for impairment losses on trade and other receivables which is presented as at separate item in the profit or loss.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other revenue and income in the profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, trade and other receivables (excluding prepaid expenses) and amounts due from shareholders fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, leases liabilities, trade and other payables, amount due to the then immediate holding company, loans from shareholders and a director and put option liability.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in the profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the profit or loss are included within finance costs.

Accounting policy of lease liabilities are set out in note 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Trade and other payables, amount due to the then immediate holding company and loans from shareholders and a director

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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

Put option liability

The potential cash payments related to put options issued by the Group over the equity of a subsidiary is accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at the present value of redemption amount as "put option liability" with a corresponding charge directly to equity under "put option reserve".

The put option liability is subsequently re-measured as a result of the change in the expected performance at each reporting date, with any resulting gain or loss recognised in the profit or loss. In the event that the put option expires unexercised, the put option liability is derecognised with a corresponding adjustment to equity.

2.7 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise expected credit loss ("ECL") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables recognised and measured under HKFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables
For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost
The Group measures the loss allowance for other receivables and amounts due from shareholders equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

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

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 32.4.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.14). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.6).

2.11 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

— the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

— the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

— the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is re-measured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

For lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is 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 "Leases". 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 if it were not a lease modification.

When the lease is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for 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.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Provisions

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Revenue recognition

Revenue mainly arises from the sales of goods as disclosed in note 1 to the consolidated financial statements.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition (Continued)

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other revenue and income recognition policies are as described below. The Group bases its estimates of return on historical pattern, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods — retailers
Revenue is recognised when (or as) the Group transfers control of the assets to the retailers, control transfers at the point in time when the goods are delivered and accepted by the retailers. Acceptance refers to either of the situations that the retailers accepted the goods in accordance with the sales contracts; the acceptance provisions have lapsed; or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the retailers' acceptance of the goods.

Retailers are offered with right of return (including exchange) within the limit as agreed in the sales contracts. Revenue is adjusted for expected returns (including exchanges) based on historical pattern.

Sales of goods — retail
The Group sells its goods to the end customers via a chain of self-operated retail points of the Group or over third-party online retail platforms. Revenue is recognised when (or as) the Group transfers control of the assets to the end customers when the Group can reasonably estimate the acceptance by the end customers. For offline retail sales, acceptance by the end customers is estimated based on historical experience on product returns. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platforms. Revenue is adjusted for the value of expected returns.

Service income
Service income is recognised when the relevant service is rendered.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in the profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

2.16 Impairment of non-financial assets

The Group's property, plant and equipment (including right-of-use assets), intangible assets and the Company's interest in a subsidiary are subject to impairment testing. Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.17 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

Retirement benefits (Continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in the profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Borrowing costs

All borrowing costs are expensed when incurred.

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Accounting for income taxes (Continued)

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (the "CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
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 HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

Other than as noted below, the adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Annual Improvements to HKFRS Standards 2018–2020

The Annual Improvements to HKFRS Standards 2018–2020 include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company's date of transitions to HKFRSs) if a subsidiary adopts HKFRSs later than its parent company and applies paragraph D16(a) of HKFRS 1.

Amendments to HKFRS 9 clarify that, for the purpose of applying the "10 per cent" test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf, in the assessment.

Amendments to HKFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the illustrative example 13 as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to HKAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

Amendments to HKFRS 1, HKFRS 9 and HKAS 41 are effective for annual period beginning on or after 1 January 2022. The amendments to HKFRS 16 only regard an illustrative example, so no effective date is stated. The annual improvements have no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments") (Continued)

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows: (Continued)

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 "Financial Instruments: Presentation", the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;

- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and

- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Company expect that the amendments have no material impact on the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

Net realisable value of inventories

Net realisable value of inventories (note 17) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

Estimation of impairment of trade and other receivables and other financial assets within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables and other financial assets) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.7.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Estimation of impairment of trade and other receivables and other financial assets within the scope of ECL under HKFRS 9 (Continued)

As at 31 December 2022, the aggregate carrying amounts of trade and other receivables and other financial assets (including amounts due from shareholders and cash and bank balances) amounted to RMB4,500,000 (net of ECL allowance of RMB4,498,000) and RMB9,668,000 (net of ECL allowance of RMBNil) respectively.

As at 31 December 2021, the aggregate carrying amounts of trade and other receivables and other financial assets (including amounts due from shareholders and cash and bank balances) amounted to RMB10,060,000 (net of ECL allowance of RMB3,211,000) and RMB4,900,000 (net of ECL allowance of RMB Nil) respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amounts of trade and other receivables and other financial assets within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

Impairment of property, plant and equipment and intangible assets

If circumstances indicate that the net book value of property, plant and equipment (note 13) and intangible assets (note 15) may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of property, plant and equipment and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

Depreciation and amortisation

Property, plant and equipment (note 13) and intangible assets (note 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Put option liability

The valuation of the put option liability in relation to the put option granted to a non-controlling interest requires the use of estimates, including the future business performance of the subsidiary, the probability of the non-controlling interest to exercise the put option in the future and the discount rate. The put option liability is re-measured as a result of the change in the expected performance at each reporting date, with any resulting gain or loss recognised in the profit or loss. As at 31 December 2022, the carrying amount of the put option liability is approximately RMBNil (2021: RMB23,000). Re-measurement of the put option liability of RMB23,000 (2021: RMB493,000) and imputed interest expenses of RMBNil (2021: RMB12,000) was recorded in the profit or loss for the year ended 31 December 2022. Details of the put option liability is disclosed in note 25.

Going Concern Basis

As set out in note 2.1, the consolidated financial statements have been prepared on a going concern basis. After carefully considered the matters described below, the Company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

(i) During the year ended 31 December 2022, the Group's business were negatively impact by COVID-19 and recorded a net loss of RMB17,133,000 under the zero-COVID policy and the frequent and prolonged lockdowns.

After the zero-COVID policy has been abandoned in January 2023 and daily lives and businesses are returning to normal. Management has been continuously implementing measures to improve profitability, control operating costs and reduce capital expenditures in order to improve the Group's net loss. These measures include (i) continuously remapping its marketing strategies and pricing policies; and (ii) continuing its measures to control capital and operating expenditures;

(ii) As at 31 December 2022, the Group has bank borrowings classified as current liabilities of RMB20,963,000, of which RMB15,935,000 are revolving bank loans. The banks have the discretionary rights to demand for immediate repayment. Having taken into account of the Group's financial position, the Company does not believe that it is probable that the banks will exercise their discretionary rights to demand for immediate repayment;

(iii) the Group has the ability to obtain new financing facilities, to renew its existing financing facilities upon maturity, or to refinance the financing facilities when necessary. As at 31 December 2022, the Group has unutilised banking facilities with aggregate amount of RMB41,450,000; and

(iv) As at 31 December 2022, the Group has loans from shareholders amounting RMB3,573,000 and loan from a director amounting RMB893,000 (note 19b) to support the operation of the Group. The loans are repayable in June 2024, which is eighteen months after the drawdown date. Such loans may be extended by both parties in writing prior to expiry.

The appropriateness of the going concern basis is assessed after taking into consideration the relevant available information about future of the Group, including the Group's cash position and cash flow forecast. Such assessment inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical accounting judgements

Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's income taxes are disclosed in note 9.

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. Revenue represents the fair value of consideration received and receivable from the sale of women's handbags, small leather goods, luggage and travel goods by the Group to external customers.

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time through different channels were analysed as follows:

	2022 **RMB'000**	2021 RMB'000
Online retail sales	**85,487**	125,899
Wholesale to online retailers	**9,462**	6,730
Wholesale to offline retailers	**416**	1,687
Offline retail sales	**705**	877
	96,070	135,193

5.2 Segment information

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the executive directors of the Company. The CODM mainly reviews revenue derived from the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

5. REVENUE AND SEGMENT REPORTING (Continued)

5.2 Segment information (Continued)

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets) and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment (including right-of-use assets), and the location of the operations to which they are allocated, in the case of intangible assets.

	2022 **RMB'000**	2021 RMB'000
Revenue from external customers		
The PRC (excluding Hong Kong)	**96,070**	135,193
Specified non-current assets		
The PRC (excluding Hong Kong)	**3,206**	3,778
Hong Kong	**–**	29
	3,206	3,807

Information about major customers

During the year ended 31 December 2022, none of the Group's customers (2021: Nil) contributed more than 10% of the Group's revenue.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

6. OTHER REVENUE AND INCOME AND GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
Other revenue		
Service income	**1,568**	2,145
Bank interest income	**58**	160
Dividend and interest income from financial asset at FVTPL	**6**	5
	1,632	2,310
Other income		
Exchange gain, net	**—**	996
Fair value gain on financial asset at FVTPL	**121**	174
Gain on early termination for lease	**11**	—
COVID-19-related rent concessions received *(note i)*	**53**	—
Sundry income	**228**	96
	413	1,266
	2,045	3,576
Government grants *(note (ii))*	**601**	538

Notes:

(i) The Group has adopted Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" and "Covid-19-Related Rent Concessions beyond 30 June 2021" respectively and applied the practical expedients introduced by the amendments to all eligible rent concessions received by the Group. During the year ended 31 December 2022, the rent concessions received by the Group are in the form of a discount on fixed payments and rent free during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

(ii) Government grants represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest charges on bank borrowings	**619**	381
Finance charges on lease liabilities	**36**	42
Imputed interest on put option liability	**—**	12
	655	435

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Auditor's remuneration	**729**	761
Cost of inventories recognised as an expense	**43,692**	61,750
Write-down of inventories to net realisable value	**1,533**	2,213
Fair value gain on financial asset at FVTPL	**(121)**	(174)
Exchange losses/(gains), net	**3,062**	(996)
Losses on written-off of property, plant and equipment	**—**	17
Gain on early termination for lease	**(11)**	—
Amortisation of intangible assets	**208**	204
Depreciation of property, plant and equipment		
— Owned assets	**340**	429
— Right-of-use assets	**458**	554
Total depreciation	**798**	983
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**8,400**	8,578
— Contributions to retirement benefit schemes *(note)*	**2,051**	2,148
Total staff costs	**10,451**	10,726
Operating lease charges on premises		
— Short-term leases	**707**	1,308
— COVID-19-related rent concession received *(note 6)*	**(53)**	—
Total lease charges	**654**	1,308

Note: During the years ended 31 December 2022 and 2021 and previous years, there are no forfeited contribution be used to reduce the level of employer's contributions. As at 31 December 2022 and 2021 and previous years, there was no forfeited contribution available to reduce the contributions payable in the future years.

9. INCOME TAX CREDIT

For the years ended 31 December 2022 and 2021, Hong Kong Profits Tax has not been provided in the consolidated financial statements as no assessable profits subject to Hong Kong Profits Tax.

PRC Enterprise Income Tax (the "PRC EIT") in respect of the Group's operations in the PRC has been calculated at the rate of 25% (2021: 25%) on the estimated assessable profits for the year arising from the PRC.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

9. INCOME TAX CREDIT (Continued)

From 1 January 2022 to 31 December 2024, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB1 million are applicable to the effective rate of 2.5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective rate of 2.5%, whereas the excess portion will be subject to the effective rate of 5%.

From 1 January 2019 to 31 December 2021, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective rate of 5%, whereas the excess portion will be subject to the effective rate of 10%.

	2022 RMB'000	2021 RMB'000
Current tax		
PRC EIT		
— Under-provision in respect of prior year	**—**	8
Deferred tax		
— Credited to the profit or loss *(note 26)*	**(210)**	(936)
Income tax credit	**(210)**	(928)

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Loss before income tax	**(17,343)**	(11,039)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(4,009)**	(1,971)
Tax effect on:		
— Non-deductible expenses	**1,235**	1,004
— Non-taxable income	**(37)**	(1,598)
— Recognition of deductible temporary differences previously not recognised	**(1)**	6
— Tax losses not recognised	**2,628**	1,623
— Tax losses utilised	**(26)**	—
— Under-provision in respect of prior year	**—**	8
Income tax credit	**(210)**	(928)

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

Directors' emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Year ended 31 December 2022				
Executive directors				
Mr. Fred Yau	**—**	**—**	**—**	**—**
Mr. Lee Tat Fai Brian *(note a)*	**—**	**496**	**15**	**511**
Non-executive directors				
Mr. Sammy Yau	**—**	**—**	**—**	**—**
Mr. Sonny Yau	**—**	**—**	**—**	**—**
Independent non-executive directors				
Mr. Won Chik Kee	**171**	**—**	**—**	**171**
Mr. Feng Dai	**62**	**—**	**—**	**62**
Ms. Sit Ting Fong	**129**	**—**	**—**	**129**
	362	**496**	**15**	**873**
Year ended 31 December 2021				
Executive directors				
Mr. Fred Yau	—	—	—	—
Mr. Lee Tat Fai Brian *(note a)*	—	483	15	498
Non-executive directors				
Mr. Sammy Yau	—	—	—	—
Mr. Sonny Yau	—	—	—	—
Independent non-executive directors				
Mr. Won Chik Kee	166	—	—	166
Mr. Feng Dai	60	—	—	60
Ms. Sit Ting Fong	124	—	—	124
	350	483	15	848

Note:

(a) Mr. Lee Tat Fai Brian is an executive director and chief executive officer of the Company. His emoluments disclosed above include those for services rendered by him as the chief executive officer.

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

10.2 Five highest paid individuals

The five highest paid individuals of the Group during the year include three (2021: three) directors whose emoluments are disclosed above. Details of the emoluments in respect of the remaining two (2021: two) highest paid individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**681**	660
Contributions to retirement benefit schemes	**27**	26
	708	686

The above individuals' emoluments are within the following bands:

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

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). No directors or five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2022 (2021: Nil).

11. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2022 to its equity holders (2021: Nil).

12. LOSS PER SHARE

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

	2022	2021
Loss		
Loss for the year attributable to equity holders of the Company (in RMB'000)	**16,296**	8,598
Number of shares		
Weighted average number of ordinary shares	**560,000,000**	560,000,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the years ended 31 December 2022 and 2021 represents 560,000,000 ordinary shares in issue throughout the years.

There were no dilutive potential ordinary shares during both years and therefore, diluted loss per share equals to basic loss per share.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2021						
Cost	2,226	1,212	2	288	4,744	8,472
Accumulated depreciation	(1,530)	(1,025)	(2)	(269)	(4,503)	(7,329)
Net book amount	696	187	—	19	241	1,143
Year ended 31 December 2021						
Opening net book amount	696	187	—	19	241	1,143
Additions	179	51	—	—	851	1,081
Written-off	(17)	—	—	—	—	(17)
Depreciation	(339)	(90)	—	—	(554)	(983)
Exchange differences	(1)	—	—	—	—	(1)
Closing net book amount	518	148	—	19	538	1,223
As at 31 December 2021 and 1 January 2022						
Cost	2,032	1,254	2	288	851	4,427
Accumulated depreciation	(1,514)	(1,106)	(2)	(269)	(313)	(3,204)
Net book amount	518	148	—	19	538	1,223
Year ended 31 December 2022						
Opening net book amount	**518**	**148**	**—**	**19**	**538**	**1,223**
Addition	**—**	**—**	**—**	**—**	**513**	**513**
Modification of lease term	**—**	**—**	**—**	**—**	**(126)**	**(126)**
Depreciation	**(305)**	**(35)**	**—**	**—**	**(458)**	**(798)**
Exchange differences	**2**	**—**	**—**	**—**	**—**	**2**
Closing net book amount	**215**	**113**	**—**	**19**	**467**	**814**
As at 31 December 2022						
Cost	**2,103**	**1,251**	**2**	**288**	**1,028**	**4,672**
Accumulated depreciation	**(1,888)**	**(1,138)**	**(2)**	**(269)**	**(561)**	**(3,858)**
Net book amount	**215**	**113**	**—**	**19**	**467**	**814**

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of company	Place/Country of incorporation and operation	Type of legal entity	Particulars of registered/issued and paid up capital	Equity interest held by the Company		Principal activity
				2022	2021	
Directly held by the Company						
Sling Investment Limited ("Sling BVI")	BVI	Limited liability company	HK$10,000	**100%**	100%	Investment holding
Indirectly held by the Company						
Sling Incorporated Limited	Hong Kong	Limited liability company	HK$11,345,279	**100%**	100%	Design, marketing, sourcing and procurement of women's handbags, small leather goods and travel goods
Elite Grand Limited	Hong Kong	Limited liability company	HK$10,000	**100%**	100%	Dormant
Senhao Shangmao (Shanghai) Company Limited# 森浩商貿(上海)有限公司	The PRC	Limited liability company	US$2,000,000	**100%**	100%	Wholesale and retail of handbags, wallets and luggage
Senxuan Shangmao (Shanghai) Company Limited# 森渲商貿(上海)有限公司 ("Senxuan Shangmao")	The PRC	Limited liability company	US$100,000	**100%**	100%	Retail and export of handbags, wallets and luggage
Zhejiang Zimaoqu Senying Shangmao Company Limited# 浙江自貿區森盈商貿有限公司	The PRC	Limited liability company	RMB1,000,000	**100%**	100%	Wholesale and retail of handbags, clothes and accessories
Sencai Maoyi (Shanghai) Company Limited# 森彩貿易(上海)有限公司 ("Sencai Maoyi")	The PRC	Limited liability company	RMB1,000,000	**51%**	51%	Wholesale and retail of luggage, clothes and accessories

The English name of the companies referred herein represent the management's best effort to translate the Chinese name of these companies as no English name has been registered.

15. INTANGIBLE ASSETS

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
As at 1 January 2021			
Cost	2,250	1,369	3,619
Accumulated amortisation	—	(845)	(845)
Net book amount	2,250	524	2,774
Year ended 31 December 2021			
Opening net book amount	2,250	524	2,774
Additions	—	14	14
Amortisation	—	(204)	(204)
Closing net book amount	2,250	334	2,584
As at 31 December 2021 and 1 January 2022			
Cost	2,250	1,383	3,633
Accumulated amortisation	—	(1,049)	(1,049)
Net book amount	2,250	334	2,584
Year ended 31 December 2022			
Opening net book amount	**2,250**	**334**	**2,584**
Addition	**—**	**16**	**16**
Amortisation	**—**	**(208)**	**(208)**
Closing net book amount	**2,250**	**142**	**2,392**
As at 31 December 2022			
Cost	**2,250**	**1,399**	**3,649**
Accumulated amortisation	**—**	**(1,257)**	**(1,257)**
Net book amount	**2,250**	**142**	**2,392**

16. FINANCIAL ASSET AT FVTPL

The Group entered into a life insurance policy (the "Policy") with an insurance company to insure a director of the Company. The Group is the policy holder and the beneficiary of the Policy. The Group is eligible to surrender the Policy at any time for cash equivalent to the net cash value.

The financial asset at FVTPL represents the carrying amount of the net cash value of the Policy as at 31 December 2022 which comprised of guaranteed cash value of RMB923,000 (2021: RMB727,000) together with accumulated annual dividends and its accrued interests of RMB30,000 (2021: RMB24,000).

The financial asset at FVTPL is denominated in HK$ and the fair value is determined by reference to the net cash value as provided by the insurance company (note 32.6).

17. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Finished goods	**31,907**	39,500
Less: Impairment provision	**(6,326)**	(4,793)
	25,581	34,707

As at 31 December 2022, the inventories with carrying amounts of RMB2,085,000 (2021: RMB2,354,000) were carried at net realisable values.

18. TRADE AND OTHER RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Trade receivables	**5,569**	10,059
Less: ECL allowance	**(3,975)**	(2,688)
	1,594	7,371
Prepayments and other receivables		
Prepaid expenses	**1,978**	2,102
Rental and other deposits	**2,640**	2,274
Other receivables	**789**	938
Less: ECL allowance	**(523)**	(523)
	4,884	4,791
	6,478	12,162

18. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables, based on the revenue recognition dates and net of ECL allowance, is as follows:

	2022 RMB'000	2021 RMB'000
0–90 days	**1,403**	5,704
91–180 days	**31**	202
181–365 days	**160**	622
Over 365 days	**–**	843
	1,594	7,371

The movement in ECL allowance of trade receivables is as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**2,688**	3,209
ECL recognised during the year	**1,900**	738
ECL reversed during the year	**(613)**	(1,259)
As at 31 December	**3,975**	2,688

The movement in ECL allowance of other receivables is as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**523**	447
ECL recognised during the year	**–**	77
ECL reversed during the year	**–**	(1)
As at 31 December	**523**	523

19. AMOUNTS DUE FROM/TO SHAREHOLDERS/THE THEN IMMEDIATE HOLDING COMPANY/LOANS FROM SHAREHOLDERS/A DIRECTOR

(a) Amounts due from Shareholders

	2022 RMB'000	2021 RMB'000
Yen Sheng BVI	**6**	6
Summit Time Resources Limited	**3**	2
	9	8

Amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Loans from shareholders/a director

	2022 RMB'000	2021 RMB'000
Shareholders		
Mr. Sammy Yau *(note a)*	**1,787**	–
Mr. Sonny Yau *(note a)*	**1,786**	–
	3,573	–
Director		
Mr. Lee Tat Fai Brian *(note b)*	**893**	–

Notes:

(a) Mr. Sammy Yau and Sonny Yau are also non-executive directors of the Company.

(b) Mr. Lee Tat Fai Brian is an executive director and chief executive officer of the Company.

Loans from shareholders/a director are non-trade in nature, unsecured, interest-bearing at 1% per annum and repayable in June 2024, which is eighteen months after drawdown date.

(c) Amount due to the then immediate holding company

	2022 RMB'000	2021 RMB'000
Yen Sheng Factory Limited	**8**	6

Amount due is non-trade in nature, unsecured, interest-free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**9,659**	4,892

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in cash and cash equivalents of the Group of approximately RMB4,995,000 (2021: RMB4,671,000) as at 31 December 2022 are the balances denominated in RMB placed with banks and financial institutions in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**11,781**	11,649
Accrued charges and other payables		
Accrued expenses	**5,559**	8,651
Deposits received	**1,029**	921
Other tax payables	**871**	1,176
Other payables	**47**	66
	7,506	10,814
	19,287	22,463

As at 31 December 2022 and 2021, accrued expenses mainly represents accrued commission, accrued royalty payment and accrued services fee.

21. TRADE AND OTHER PAYABLES (Continued)

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2021: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables is as follows:

	2022 RMB'000	2021 RMB'000
0–90 days	**11,578**	11,533
91–180 days	**1**	13
181–365 days	**4**	12
Over 365 days	**198**	91
	11,781	11,649

22. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Company's lease liabilities:

	2022 RMB'000	2021 RMB'000
Total minimum lease payments:		
— within one year	**260**	459
— after one year but within two years	**235**	75
	495	534
Less: future finance charge	**(24)**	(27)
Present value of lease liabilities	**471**	507
Present value of lease liabilities:		
— within one year	**244**	433
— after one year but within two years	**227**	74
	471	507
Less: Portion due within one year included under current liabilities	**(244)**	(433)
Portion due after one year included under non-current liabilities	**227**	74

As at 31 December 2022, lease liabilities amounting to RMB471,000 (2021: RMB507,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

22. LEASE LIABILITIES (Continued)

During the year ended 31 December 2022, the total cash outflows for the leases are RMB1,149,000 (2021: RMB1,945,000).

As at 31 December 2022, the Group has entered one lease for office (2021: one lease for retail shop and one lease for office) with remaining lease term of 2.3 years (2021: 1.5 years). These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

During the year ended 31 December 2022, the Group has early terminated one lease for office at RMB90,000 (2021: no lease modification).

23. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities arising from receiving deposits of trading orders	**1,500**	433

Contract liabilities outstanding at the beginning of the year amounting to RMB433,000 (2021: RMB359,000) have been recognised as revenue during the year.

24. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Unsecured bank borrowings, wholly repayable within one year or on demand	**20,963**	17,861

As at 31 December 2022, unsecured bank borrowings of RMB15,935,000 (2021: RMB12,956,000) are repayable within one year or on demand. The bank borrowings bear variable interest rate at 1.75% over HIBOR and 3.70% (2021: 1.75% over HIBOR and 3.65%) per annum.

As at 31 December 2022, unsecured bank borrowings of RMB5,028,000 (2021: RMB4,905,000) are repayable in more than five years (2021: in more than five years) or on demand and bear variable interest rate at 2.5% (2021: 2.5%) per annum below the Hong Kong Dollars Prime Rate. The bank borrowings were guaranteed by the personal guarantees given by Mr. Sammy Yau and Mr. Sonny Yau, the non-executive directors of the Company and HKMC Insurance Limited.

25. PUT OPTION LIABILITY

	2022 **RMB'000**	2021 RMB'000
Sencai Maoyi		
As at 1 January	**23**	504
Imputed interest	**–**	12
Re-measurement	**(23)**	(493)
As at 31 December	**–**	23

On 29 January 2019, Senxuan Shangmao, an indirect wholly-owned subsidiary of the Company, and Guangzhou Caige International Trading Company Limited ("Guangzhou Caige"), an independent third party, established Sencai Maoyi for the purpose of engaging in the wholesales and retail of luggage, clothes and accessories through online retail platforms in the PRC. The registered capital of the Sencai Maoyi is RMB1,000,000 (owned as to 51% by Senxuan Shangmao and as to 49% by Guangzhou Caige).

Pursuant to the shareholder agreement between Senxuan Shangmao and Guangzhou Caige dated 26 March 2019, the Group has granted a put option which entitles Guangzhou Caige to sell all, but not some, of its equity interest in Sencai Maoyi to the Group. The put option is exercisable 36 months after the establishment of Sencai Maoyi. The exercise price is determined based on 4.5 times of the net profit of the latest one and a half financial year of Sencai Maoyu times Guangzhou Caige's shareholding ratio. The exercise price is formula based.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the Group's equity since the risks and rewards have not been transferred to the Group until the option is exercised. The put option liability is subsequently re-measured as a result of the change in the expected performance at each reporting date, with any resulting gain or loss recognised in the profit or loss. In the event that the option expires unexercised, the put option liability is derecognised with a corresponding adjustment to equity.

Given that the fair value of the put option liability varies with the non-financial variables that are specific to the parties in the contract, management of the Group has classified this put option liability as a financial liability at amortised cost.

The decreased in put option liability due to the Group has considered the latest situation of business operation in Sencai Maoyi in re-measuring the result of the change in the expected performance as at 31 December 2022 and 2021.

26. DEFERRED TAX

The movement in deferred tax assets during the year is as follows:

	Provisions RMB'000
As at 1 January 2021	1,940
Recognised in the profit or loss *(note 9)*	936
As at 31 December 2021 and 1 January 2022	2,876
Recognised in the profit or loss *(note 9)*	210
As at 31 December 2022	**3,086**

As at 31 December 2022, the Group has estimated tax losses arising in the PRC of approximately RMB51,912,000 (2021: RMB41,504,000) and the tax loss not recognised is approximately RMB12,978,000 (2021: RMB10,376,000) that will expire five years after the relevant accounting year end for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2022, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB5,443,000 (2021: RMB4,420,000). Deferred income tax liabilities have not been recognised amounting to approximately RMB272,000 (2021: RMB221,000) in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries.

27. SHARE CAPITAL

	2022		2021	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 31 December	**1,110,000,000**	**9,243**	1,110,000,000	9,243
Issued and fully paid:				
Ordinary share of HK$0.01 as at 1 January and 31 December	**560,000,000**	**4,470**	560,000,000	4,470

28. RESERVES

The amounts of the Group's reserves and the movements during the years ended 31 December 2022 and 2021 are presented in the consolidated statement of changes in equity.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

Capital reserve represents the difference between the nominal values of the share capital of a subsidiary acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the reorganisation in connection with the listing of the Company's shares on the Stock Exchange.

Statutory reserve

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after income tax (after offsetting any prior years' losses), determined in accordance with relevant accounting principles and financial regulations applicable to the enterprises established in the PRC (the "PRC GAAP"), to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital.

Put option reserve

During the year ended 31 December 2019, the Group issued a put option over the equity of a subsidiary. The amount that may become payable under the option on exercise is initially recognised at the present value of redemption amount. The corresponding charge of RMB3,658,000 is accounted for directly as a reduction in the Group's equity under "put option reserve" since the risks and rewards have not been transferred to the Group until the option is exercised.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2022 RMB'000**	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a subsidiary	*14*	**8**	8
Current assets			
Prepayments		**204**	182
Amounts due from subsidiaries		**6,565**	16,976
Amounts due from shareholders	*19a*	**9**	8
Bank balances		**14**	21
		6,792	17,187
Current liabilities			
Accrual and other payables		**934**	105
Amounts due to subsidiaries		**300**	300
		1,234	405
Net current assets		**5,558**	16,782
Total assets less current liabilities		**5,566**	16,790
Non-current liabilities			
Loans from shareholders	*19b*	**3,573**	—
Loan from a director	*19b*	**893**	—
		4,466	—
Net assets		**1,100**	16,790
EQUITY			
Share capital	*27*	**4,470**	4,470
(Accumulated losses)/Reserves *(note)*		**(3,370)**	12,320
Total equity		**1,100**	16,790

Approved and authorised for issue by the board of directors on 28 March 2023.

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movements of the Company's reserves are as follows:

	Share capital RMB'000 *(note 27)*	Share premium RMB'000 *(note 28)*	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at 1 January 2021	4,470	35,026	2,823	(14,681)	27,638
Loss for the year	–	–	–	(9,928)	(9,928)
Other comprehensive expense:					
Exchange differences on translation of financial statements	–	–	(920)	–	(920)
Total comprehensive loss for the year	–	–	(920)	(9,928)	(10,848)
As at 31 December 2021 and 1 January 2022	4,470	35,026	1,903	(24,609)	16,790
Loss for the year	**–**	**–**	**–**	**(18,856)**	**(18,856)**
Other comprehensive income:					
Exchange differences on translation of financial statements	**–**	**–**	**3,166**	**–**	**3,166**
Total comprehensive loss for the year	**–**	**–**	**3,166**	**(18,856)**	**(15,690)**
As at 31 December 2022	**4,470**	**35,026**	**5,069**	**(43,465)**	**1,100**

30. RELATED PARTY TRANSACTIONS

Other than as disclosed in these consolidated financial statements, the Group entered into the following material related party transactions during the year.

(a) Transactions with related parties

	2022 RMB'000	2021 RMB'000
Rental paid to a related company — Unigrade International Limited	**56**	54

Unigrade International Limited is a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau.

The above transactions with related parties were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third-party suppliers of the Group.

(b) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	**1,764**	1,720
Contributions to retirement benefit schemes	**183**	176
	1,947	1,896

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Loans from shareholders RMB'000	Loan from a director RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	–	–	17,861	507	18,368
Cash flows:					
— Repayment	–	–	(26,236)	–	(26,236)
— Proceeds	3,573	893	27,870	–	32,336
— Payment for lease liabilities					
— Capital element	–	–	–	(406)	(406)
— Interest element	–	–	–	(36)	(36)
Non-cash:					
— Entering into new leases	–	–	–	513	513
— Lease modification	–	–	–	(90)	(90)
— COVID-19-related rent concession	–	–	–	(53)	(53)
— Unrealised exchange differences	–	–	1,468	–	1,468
— Interest expense	–	–	–	36	36
As at 31 December 2022	3,573	893	20,963	471	25,900

	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
1 January 2021	16,516	251	16,767
Cash flows:			
— Repayment	(28,289)	–	(28,289)
— Proceeds	30,112	–	30,112
— Payment for lease liabilities			
— Capital element	–	(595)	(595)
— Interest element	–	(42)	(42)
Non-cash:			
— Entering into new leases	–	851	851
— Unrealised exchange differences	(478)	–	(478)
— Interest expense	–	42	42
As at 31 December 2021	17,861	507	18,368

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group. No derivative financial instruments are used to hedge any risk exposures.

32.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities.

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost:		
— Trade and other receivables	**4,500**	10,060
— Amounts due from shareholders	**9**	8
— Cash and bank balances	**9,659**	4,892
Financial asset at FVTPL:		
— Investment in a life insurance policy	**953**	751
	15,121	15,711
Financial liabilities		
Measured at amortised cost:		
— Trade and other payables	**18,369**	21,221
— Bank borrowings	**20,963**	17,861
— Loans from shareholders	**3,573**	—
— Loan from a director	**893**	—
— Amount due to the then immediate holding company	**8**	6
— Lease liabilities	**471**	507
— Put option liability	**—**	23
	44,277	39,618

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to foreign currency risk mainly arise from the entities within the Group's cash and cash equivalents which denominated in RMB and United States dollars ("US$"). These are not the functional currencies of the entities within the Group to which these transactions relate.

The financial assets denominated in RMB and US$, translated into RMB at the closing rates, are as follows:

	RMB RMB'000	US$ RMB'000
As at 31 December 2022		
Cash and cash equivalents	**6**	**238**
As at 31 December 2021		
Cash and cash equivalents	2	219

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity as at 31 December 2022 in regards to an appreciation in the entities within the Group's functional currencies against RMB and US$. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rate.

	Sensitivity rate %	Increase in loss for the year RMB'000	Decrease in equity RMB'000
Year ended 31 December 2022			
RMB	**5%**	**—**	**—**
US$	**5%**	**10**	**10**
Year ended 31 December 2021			
RMB	5%	—	—
US$	5%	9	9

The same percentage depreciation in the entities within the Group's functional currencies against the foreign currencies would have the same magnitude on the Group's loss after income tax for the year and equity as at 31 December 2022 but of opposite effect.

The Group does not hedge its foreign currency risk with RMB and US$. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which bearing variable rates expose the Group to cash flow interest rate risk.

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity as at 31 December 2022 to a decrease of 50 basis points in the interest rate, assuming the interest-bearing borrowings outstanding at the reporting year were outstanding for the whole year and all the variables were held constant.

	Decrease in loss for the year RMB'000	Increase in equity RMB'000
Year ended 31 December 2022		
Decrease by 50 basis points	**(98)**	**98**
Year ended 31 December 2021		
Decrease by 50 basis points	(74)	74

An increase in 50 basis points in interest rate of the Group's interest-bearing borrowings would have the same magnitude on the Group's loss after income tax for the year and equity as at 31 December 2022 but of opposite effect.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next 12-month period.

32.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from cash with banks and financial institutions, as well as granting credit to customers in the ordinary course of its operations.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2022 and 2021 is the carrying amount as disclosed in note 32.1.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.4 Credit risk (Continued)

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.7, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 24 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written-off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days after the credit period from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 10% (2021: 23%) of the total trade receivables was due from the Group's top five individual customers.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.4 Credit risk (Continued)

(i) **Trade receivables (Continued)**

On the above basis, the ECL for trade receivables as at 31 December 2022 and 2021 was determined as follows:

	Current RMB'000	1–365 days past due RMB'000	More than 365 days past due RMB'000	Total RMB'000
As at 31 December 2022				
ECL rate	**2.5%**	**49.8%**	**100%**	
Gross carrying amount				
— trade receivables	**1,219**	**807**	**3,543**	**5,569**
Lifetime ECL	**30**	**402**	**3,543**	**3,975**
As at 31 December 2021				
ECL rate	2.8%	34.5%	50% to 100%	
Gross carrying amount				
— trade receivables	5,046	2,478	2,535	10,059
Lifetime ECL	141	854	1,693	2,688

(ii) **Other financial assets at amortised cost**

Other financial assets at amortised cost include other receivables, amounts due from shareholders and cash and bank balances. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low.

Besides, the management is of the opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.7 and, thus, ECL recognised is based on 12-month ECL. The ECL rate applied for other receivables is from 7.0% to 9.3% (2021: 9.0% to 16.0%) by individual assessment.

The credit risks on cash and bank balances are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's amounts due from shareholders are considered to have low credit risk as they have a low risk of default and the counterparties have strong capacity to meet their contractual cash flow obligation in the near term.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of its financing obligations and its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2022. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within one year or on demand RMB'000	Over 1 year but within 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2022				
Trade and other payables	**18,369**	**–**	**18,369**	**18,369**
Bank borrowings	**20,963**	**–**	**20,963**	**20,963**
Loans from shareholders	**3,573**	**–**	**3,573**	**3,573**
Loan from a director	**893**	**–**	**893**	**893**
Amount due to the then immediate holding company	**8**	**–**	**8**	**8**
Lease liabilities	**260**	**235**	**495**	**471**
	44,066	**235**	**44,301**	**44,277**
As at 31 December 2021				
Trade and other payables	21,221	–	21,221	21,221
Bank borrowings	17,861	–	17,861	17,861
Amount due to the then immediate holding company	6	–	6	6
Lease liabilities	459	75	534	507
Put option liability	2	–	2	23
	39,549	75	39,624	39,618

Bank borrowings with a repayment on demand clause are included in the "One year or on demand" time band in the above maturity analysis.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.5 Liquidity risk (Continued)

As at 31 December 2022 and 2021, taking into account of the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. Included in the above balances, the directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

Maturity analysis — Bank loans with a repayment on demand clause based on scheduled repayments

	Within one year or on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2022	**17,072**	**4,430**	**238**	**21,740**	**20,963**
As at 31 December 2021	13,427	4,043	974	18,444	17,861

32.6 Fair value measurements of financial instruments

Financial assets measured at fair values in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and not using significant unobservable inputs.

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.6 Fair value measurements of financial instruments (Continued)

The fair value measurement hierarchy of the Group's financial asset at FVTPL is as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	**—**	**953**	**—**	**953**
As at 31 December 2021				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	—	751	—	751

During the year ended 31 December 2022, there were no transfers between Level 1, Level 2 and Level 3 (2021: Nil).

The fair value of financial asset at FVTPL is determined by reference to the net cash value as provided by the insurance company.

Management considered the carrying amounts of other financial assets and liabilities of the Group are not materially different from their fair values as at 31 December 2022 and 2021 due to immediate or short term of maturity.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2022

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders. The Group manages capital by regularly monitoring its current and expected liquidity requirements.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt-to-equity ratio. For this purpose, net debt is defined as bank borrowings, loans from shareholders and a director net of cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The net debt-to-equity ratio at each reporting date was:

	2022 **RMB'000**	2021 RMB'000
Bank borrowings	**20,963**	17,861
Loans from shareholders	**3,573**	—
Loan from a director	**893**	—
Less:		
— Cash and bank balances	**(9,659)**	(4,892)
Net debts	**15,770**	12,969
Total equity	**2,415**	18,073
Net debt-to-equity ratio	**653.0%**	71.8%

Financial Summary

The consolidated results of the Group for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 and the consolidated assets and liabilities of the Group as at 31 December 2018, 2019, 2020, 2021 and 2022 are as follows:

Consolidated results	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	141,081	146,106	88,548	135,193	**96,070**
Listing expenses	(106)	—	—	—	**—**
Loss before income tax	(5,506)	(13,901)	(17,318)	(11,039)	**(17,343)**
Income tax (expense)/credit	245	(2,201)	412	928	**210**
Loss for the year	(5,261)	(16,102)	(16,906)	(10,111)	**(17,133)**
Total comprehensive loss for the year attributable to equity holders of the Company	(2,411)	(16,350)	(17,420)	(9,208)	**(14,821)**

Consolidated assets and liabilities	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Total assets	91,140	86,163	64,322	59,366	**49,344**
Total liabilities	(25,155)	(39,053)	(35,528)	(41,293)	**(46,929)**
Total equity	65,985	47,110	28,794	18,073	**2,415**