M Resources Group Limited
脈资資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 08186)

2022
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the board (the "Board") of directors (the "Directors") of M-Resources Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for 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 is no other matter the omission of which would make any statement in this report misleading.

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Executive Director

CHAN Ho Yee

Independent Non-Executive Directors

PANG King Sze, Rufina
HONG Bingxian
HUANG Zhe

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PANG King Sze, Rufina
HONG Bingxian
HUANG Zhe

NOMINATION COMMITTEE

PANG King Sze, Rufina
HONG Bingxian
HUANG Zhe

REMUNERATION COMMITTEE

PANG King Sze, Rufina
HONG Bingxian
HUANG Zhe

COMPLIANCE OFFICER

CHAN Ho Yee

COMPANY SECRETARY

LEUNG Ka Ho

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

Robertsons Solicitors

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

35/F, Two Pacific Place
88 Queensway
Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Ltd.
17th Floor, Hopewell Centre
183 Queen’s Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited

STOCK CODE

08186

WEBSITE ADDRESS

www.m-resources.com.hk

The Board of Directors' Statement

Dear Shareholders,

Year 2022 is another challenging year for all businesses around the world. The turbulent international situation, global interest rate hikes sparked by inflationary pressure and the lingering effect of the COVID-19 pandemic have posed challenges to the global economy. Inevitably, certain business segments of the Group were also adversely affected. In view of the structural changes in the business environment and business activities globally and locally, the Group will continue to adjust its business strategies and extend its businesses through widening product offerings and customer base.

On the other hand, the liabilities of the Group had been substantially reduced and the Group has restored to a net asset financial position upon sanctioning of the Group's debt restructuring by way of a scheme of arrangement in July 2022.

Looking ahead, with the gradual recovery of the global and local economies from the COVID-19 pandemic and the peaking of the worldwide interest rate hikes, the Group is cautiously optimistic about the outlook for 2023 and will continue to develop its businesses and seize available business opportunities.

Taking this opportunity, we would like to express our sincere gratitude to our shareholders, creditors and business partners for your support and commitment, particularly in this difficult time for the world and the Group. And we look forward to your continuing support and trust in the years to come.

The Board of Directors

Hong Kong, 31 March 2023

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the year ended 31 December 2022, the revenue of the Group decreased by 17.7% to HK$22.3 million (2021: HK$27.1 million). The Group's gross profit decreased to HK$2.6 million (2021: HK$3.3 million) but the gross profit margin remained at a similar level of 11.7% (2021: 12.2%). In July 2022, the Group's debt restructuring by way of a scheme of arrangement was sanctioned by the court and resulted in the Group recording an other income of HK$55.7 million. As a result, the Group recorded a consolidated profit attributable to owners of the Company of HK$49.3 million (2021: loss of HK$7.3 million).

BUSINESS REVIEW

The Group is principally engaged in the Household Business, Plantation Business and Accessory Business. Despite its financial services business being inactive in the past two years, the Group has been continuously making efforts to explore opportunities in the business segment. It is the intention of the Group to continue to focus on the development of its principal businesses and pursue appropriate business opportunities to activate this inactive business segment.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 39 to the consolidated financial statements.

RECENT DEVELOPMENT AND PROSPECTS

Looking ahead, the outlook for the global economy is still uncertain. The challenges arising from the continuing Sino-United States conflict, interest rate hikes and tightening of monetary policies will continue to impact on the global economy and may inevitably affect the Group's business performance. The Company's experience in past years has shown that prompt response to changes in business landscape and prudent financial and liquidity management are key factors in withstanding major disruptions and uncertainties. The Group will proactively respond to the evolving market dynamics with an aim at achieving growth in recurring earnings. Given that the Group's financial position had returned to normality following implementation of the scheme of arrangement, the Company is confident that it is now in a good position to strengthen its business foundation for delivering solid performances in the coming years.

FINANCIAL RESOURCES, BORROWINGS AND LIQUIDITY

During the year ended 31 December 2022, the Group's net cash used in operating activities amounted to HK$0.06 million (2021: HK$4.0 million) and net cash used in investing activities amounted to HK$0.04 million (2021: HK$0.2 million) and net cash generated from financing activities amounted to HK$3.2 million (2021: HK$4.5 million). As a result, the Group recorded a net cash inflow of HK$3.1 million (2021: HK$0.3 million).

As at 31 December 2022, the Group had total assets of HK$22.2 million (2021: HK$22.3 million) and total liabilities of HK$17.0 million (2021: HK$70.3 million) i.e. the Group had net asset of HK$5.2 million (2021: net liabilities of HK$48.0 million) and net asset value per share of HK$0.18 (2021: net liabilities per share of HK$3.1). The Group's current assets amounted to HK$16.7 million (2021: HK$16.0 million), of which HK$5.0 million (2021: HK$1.9 million) was cash and bank balances, and its current liabilities amounted to HK$17.0 million (2021: HK$70.2 million). The Group had no borrowing (2021: HK$48.5 million).

CAPITAL STRUCTURE

As at 31 December 2022, the total number of issued shares and the issued share capital of the Company were 28,467,160 (2021: 15,585,331) and HK$2,277,000 (2021: HK$1,247,000) respectively. The increase in the total number of issued ordinary shares and the issued share capital of the Company was resulted from the issue of 4,405,465 new shares under the scheme of arrangement and the issue of 8,476,364 new shares to a subscriber during the year.

Management Discussion and Analysis

FUND RAISING ACTIVITIES

Save as disclosed above, the Group does not conduct any equity fund raising activities during the year ended 31 December 2022.

CAPITAL COMMITMENT, SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

Capital Commitment

There was no significant capital commitment of the Group outstanding as at 31 December 2022.

Significant Investment and Material Acquisition and Disposal

There was no significant investment and material acquisition and disposal during the year ended 31 December 2022.

Charge on Assets of the Group

As at 31 December 2022, no material asset of the Group had been pledged.

RISKS FACTORS

COVID-19 Pandemic

The World Health Organisation declared the COVID-19 a global health emergency in January 2020. Government authorities of the countries in which the Group operates have implemented various restrictive measures to contain the pandemic and such measures have directly and indirectly affect the operating results and liquidity position of the Group. The Directors will continue to assess the impact of the pandemic on the Group's businesses. Given the uncertainty on the duration of the pandemic which has become a new normal, the Group might experience further negative results and liquidity restraints and incur additional impairments on its assets.

Price

The prices of the Group's products are subject to a number of factors, including consumer demand, market supply and substitutions available etc. If there is a continuous decline in the prices of the products, the profitability of the Group will be adversely affected.

Competition

The Group's products are competitive and challenging due to pressure from rising production costs, volatile product prices and substitution of products. If the Group fails to respond to changes in market conditions and the market demand of its products, the financial performance of the Group will be adversely affected.

Credit Risk

The Group has a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults of counter-parties. In order to minimise the credit risk of trade receivables, the management of the Group will monitor the Group's exposure to credit risk on an ongoing basis and periodically reviews the customers' settlement patterns. For the year ended 31 December 2022, the Group provided for an expected credit loss on trade receivables of HK$1,072,000 (2021: HK$740,000).

Biographical Details of Directors

DIRECTORS

Executive Director

Ms. Chan Ho Yee, aged 27, is experienced in business arrangement and project management and has established connections in Hong Kong and the overseas market. Ms. Chan is responsible for the Group's design and production planning of household products and exploring business opportunities in the Asian and overseas markets. Ms. Chan holds a master's degree in fine arts. Ms. Chan was appointed as executive director on 2 March 2022.

Independent Non-executive Directors

Ms. Pang King Sze, Rufina, aged 48, has more than 20 years of experience in the areas of audit, financial management and internal control. Ms. Pang is the co-founder and a partner of a certified public accountants firm in Hong Kong. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountants and a member of the New Zealand Institute of Chartered Accountants. Ms. Pang holds a bachelor's degree in business.

Mr. Hong Bingxian, aged 55, has 30 years of experience in production and international trade with substantial knowledge in logistics management and production process. Mr. Hong is the founder and the managing director of a household manufacturing group and an education group in China.

Mr. Huang Zhe, aged 57, has over 30 years of experience in manufacturing, sales and marketing and brand management. He has held managerial positions in a number of entities in the manufacturing industry prior to founding his own business 20 years ago. Mr. Huang is the founder and the managing director of a manufacturing company in China.

Report of the Board

The Board is pleased to present this report and the consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by reportable segments and geographical locations during the financial year are set out in note 6 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 91 to 92 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and five largest customers by legal entity are attributable to 28.7% and 98.0% of the Group's revenue respectively, and the largest supplier and five largest suppliers by legal entity are attributable to 44.0% and 100% of its purchases respectively. At no time during the year had the Directors, their associates or any shareholder of the Company (whom to the knowledge of the Directors owning more than 5% of the shares) held any beneficial interest in these major customers and suppliers.

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the year ended 31 December 2022 and the material factors underlying its results and financial position are provided in the sub-sections headed "Financial Performance" and "Business Review" on page 5. The outlook of the Group's businesses is discussed in the sub-section headed "Recent Development and Prospects" on page 5. These statements therein form parts of this section.

PRINCIPAL RISKS

The Directors have acknowledged that the Group is exposed to certain risks that could impact on the Group. The Group monitors the risks on an ongoing basis. Details of the risks which the Directors consider significant to the Group are discussed in the sub-section headed "Risk Factors" of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2022 and the state of the Group's (including the Company's) affairs as at that date are set out in the consolidated financial statements on pages 26 to 90 of this report.

RESERVES

Movements in the reserves of the Group are set out on page 30 of this report and in note 31 to the consolidated financial statements. As at 31 December 2022, the Company did not have any reserves available for distribution (2021: Nil).

Report of the Board

DIVIDEND POLICY AND DIVIDENDS

The Company has adopted a dividend policy which allows it to distribute dividends to shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the Bye-laws of the Company and the distribution shall be targeted to achieve continuity, stability and sustainability. Recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, *inter alia*, the earnings per share, the reasonable return to the shareholders in order to provide incentives for them to support the long term development of the Group, the financial conditions and business plan of the Group, and the market sentiment and circumstances. The Company reviews the dividend policy from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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

CHARITABLE DONATIONS

During the year ended 31 December 2022, the Group did not make any charitable contribution (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2022 are set out in note 16 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2022 are set out in notes 25 to 27 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in the sub-section headed "Events After the Reporting Period" of this report and note 39 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Ms. Chan Ho Yee	*(appointed on 2 March 2022)*
Ms. He Xuemei	*(resigned on 30 April 2022)*

Independent Non-executive Directors

Ms. Pang King Sze, Rufina
Mr. Hong Bingxian
Mr. Huang Zhe

Ms. Pang King Sze, Rufina and Mr. Hong Bingxian shall retire from the Board by rotation at the forthcoming annual general meeting ("AGM"). Ms. Pang is eligible and has offered herself for re-election. The biographical details of Ms. Pang is set out on page 7 of this report.

DIRECTORS' SERVICE CONTRACTS

There is no service contract with any Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation for any Director proposed for re-election at the forthcoming AGM).

Report of the Board

DIRECTORS' EMOLUMENT

The remuneration of the executive Directors and non-executive Directors is director's fee which is discussed by the remuneration committee of the Board with reference to the contribution, commitment and responsibilities of such Directors to the Group as well as the prevailing market conditions. Details of the Directors' emoluments for the year ended 31 December 2022 are shown in note 14 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive Director has confirmed his/her independence pursuant to the GEM Listing Rules. The Board considers all the independent non-executive Directors being independent.

DIRECTORS' INTEREST IN CONTRACT

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 31 December 2022 or during the year ended 31 December 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interest and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or were recorded pursuant to Section 352 of the SFO, or were otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Capacity of interests	Number of Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note)*
Ms. Chan Ho Yee	Personal	676,127	–	2.4%

Note: Base on 28,467,160 Shares in issue as at 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Board

SHARE OPTION SCHEME

As at 31 December 2022, there was no share option of the Company outstanding.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, so far as is known to any of the Directors, the following persons (other than a Director or the chief executive of the Company) had interests or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO, who is interested in 5% or more of any class of share capital carrying rights to vote at general meetings of the Company.

Long Positions in the Shares

Name of shareholder	Capacity of interest	Number of Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note)*
Perfect Advance Holdings Limited	Corporate	8,476,364	–	29.78%
Rising Sun Investment Limited	Corporate	2,640,000	–	9.27%
Mega Trillion International Corporation	Corporate	2,596,875	–	9.12%
Landmass Investments Limited	Corporate	1,517,212	–	5.33%
Jade Metro Limited	Corporate	1,031,250	–	3.62%

Note: Based on 28,467,160 shares in issue as at 31 December 2022.

Save as disclosed above, the Directors are not aware of any other person who had any interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register kept by the Company under section 336 of the SFO, as at 31 December 2022.

COMPETING INTEREST

None of the directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any business that would compete with the businesses of the Group or had any other conflict of interests with the Group for the year ended 31 December 2022.

Report of the Board

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements and none of them constituted any connected or continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2022.

EMPLOYMENT RETIREMENT BENEFITS SCHEME

As at 31 December 2022, the Group had 9 (2021: 9) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Details of the Group's retirement benefits scheme for the year ended 31 December 2022 are set out in note 4.13 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Board has been established with written terms of reference in compliance with the GEM Listing Rules. The audit committee's primary duties include reviewing the annual, interim and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee currently comprises all of independent non-executive Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2022 and discussed auditing, internal control and financial reporting matters with the Group's auditors. There was no disagreement between the auditors and the audit committee in respect of the accounting policies adopted by the Group.

AUDITOR

In 2020, Ascenda Cachet CPA Limited resigned as auditors of the Company. Zhonghui Anda CPA Limited was appointed and resigned thereafter. In May 2021, BDO Limited was appointed by the Company to fill the casual vacancy so arising. Save for the above, there has been no other change of auditors in the past three years. A resolution for reappointment of BDO Limited as auditors of the Company will be proposed at the forthcoming AGM.

Report of the Board

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the businesses and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Corporate Governance Code. Details of the Group's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 19 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, there is sufficient public float of more than 25% of the shares of the Company as at the date of this report.

By order of the Board
Chan Ho Yee
Executive Director

Hong Kong, 31 March 2023

Corporate Governance Report

INTRODUCTION

The Board is committed to achieving a high standard of corporate governance. The Board believes that good and effective corporate governance practices are key to maintaining the Group's management quality, promoting sound internal control and enhancing the relationship of the shareholders and other stakeholders of the Company, and are essential for encouraging accountability and transparency so as to achieve success and to create long-term value for the shareholders of the Company.

The Company has applied the principles and code provisions in the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Company is governed by the Board, which has the responsibility for leadership and monitoring of the Company and promoting the success of the Group by giving directions to the Group's affairs with a view to developing the Group's businesses and enhancing shareholders' value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders. The Board has delegated the execution of the daily operational matters to the management of the Group.

Board Composition

The Board currently comprises four Directors, who have diversified skills and experience in business, financial, accounting and management, of whom one is executive Director and three are independent non-executive Directors. Details of the Director's background are set out in the section headed "Biographical Details of the Directors" of this report. During the year ended 31 December 2022, the Company had been in compliance with Rules 5.05(1) and (2) of the GEM Listing Rules and Ms. Pang King Sze Rufina, an independent non-executive Director, possesses professional qualifications in accounting and related financial management expertise.

Corporate Governance Report

Board Diversity and Nomination of Directors

The Company seeks to achieve Board diversity through a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company also takes into account factors based on its own business development and specific needs from time to time. As such, in assessing and selecting a candidate for acting as a Director, the criteria to be considered including but not limited to (i) qualifications including professional qualifications, skills, knowledge and experience; (ii) commitment to attending the meetings and participating in relevant training and other board associated activities; (iii) requirement for the Board to have independent Directors in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules; and (iv) such other perspectives that are appropriate to the Company's business and succession plan and from time to time. During the year, the nomination committee has reviewed, and considered that the diversity policy of the Board has been achieved.

Continuing Professional Development

The Board recognises the importance of continuing professional development and knowledge enhancement of the Directors for their continuous contribution to the Company. In 2022, the Directors were provided with relevant information and had attended training courses on topics relating to the markets and regulatory matters. The Company also provides training (including introduction to the Group and other regulatory requirements) to newly appointed Director to his/her individual needs.

Term of Appointment and Re-election

Pursuant to the Bye-Laws of the Company, one third of the Directors (except the chairperson or managing Director of the Company) shall retire from office by rotation and are subject to re-election at the annual general meetings of the Company. The Directors to retire shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. Further, all Directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Chairperson and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contributions to the Board's affairs and ensuring that the Board acts in the best interest of the Group, as well as matters relating to corporate governance of the Company and its communication with its shareholders. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group. During the year, the office of the chief executive was vacated. The Board will keep identifying a suitable candidate and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Company Secretary

The Company Secretary of the Company reports to the Board and assists the chairperson of the Board in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the meetings are observed. The Company Secretary also assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules and supports the Board and committees of the Board by ensuring information flow within the Board and that Board policies and procedures are followed. The Company Secretary is appointed by the Board. Mr. Leung Ka Ho is the Company Secretary and he is a member of the Hong Kong Institute of Certified Public Accountants and has taken no less than 15 hours of relevant professional training during the year.

Corporate Governance Report

Board Meetings

The Directors participated the Board meetings in person or through electronic means of communication. All Directors have access to the relevant materials and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at Board meetings. Details of the Board meetings and general meetings held in 2022 are as follows:

		Board meetings	General meetings
Executive Directors			
Ms. Chan Ho Yee	*(appointed on 2 March 2022)*	4/4	2/2
Ms. He Xuemei	*(resigned on 30 April 2022)*	1/1	1/1
Independent Non-executive Directors			
Ms. Pang King Sze, Rufina		5/5	3/3
Mr. Hong Bingxian		5/5	3/3
Mr. Huang Zhe		5/5	3/3

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. Responsibilities in relation to the daily operations and execution of the strategic business plans are delegated to management. The audit committee, the remuneration committee and the nomination committee of the Board have their terms of reference which clearly define their powers and responsibilities. All committees are required to report to the Board in relation to their decisions, findings and/or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. The Board will from time to time review the delegations by the Board to different committees to ensure that the delegations are appropriate.

AUDIT COMMITTEE

The audit committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The audit committee's primary duties include making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors, reviewing the Group's financial statements, annual, interim and quarterly reports and the independent auditor's report to ensure presentation of a true and balanced assessment of the Group's financial position (including major judgmental areas, compliance with accounting principles and standards, compliance with GEM Listing Rules and financial reporting requirements), reviewing the Group's financial information and reporting procedures, internal controls and risk management, effectiveness of the internal audit functions, audit plans and relationship with external auditors and reviewing the Group's financial and accounting policies and practices. The audit committee has discharged its responsibilities by reviewing the quarterly, interim and annual results of the Group for the year ended 31 December 2022 and the relevant statements and reports prior to the approval by the Board; discussion with the external auditor and its findings on the work performed and the related internal control issues; reviewing significant financial reporting judgments in accounting policies; reviewing and approving the external auditor's terms of engagement (including audit fee). Details of the meetings of the audit committee held during the year ended 31 December 2021 were summarized as follows:

	Audit committee meetings attended/held
Ms. Pang King Sze, Rufina	5/5
Mr. Hong Bingxian	5/5
Mr. Huang Zhe	5/5

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The responsibilities of the remuneration committee include making recommendations to the Board on the policies and structures for the remuneration of Directors and senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues with reference to factors such as size of the Group's operation, duties and responsibilities of the Directors and prevailing market condition. The remuneration committee has reviewed the emoluments of Directors and senior management and considered that they are fair and reasonable. For the year ended 31 December 2022, there was 3 meetings of the remuneration committee in which all the members had attended. The remuneration committee has been provided with resources enabling it to discharge its duties.

NOMINATION COMMITTEE

The nomination committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The nomination committee is responsible for establishing nomination policies, reviewing and assessing composition of the Board and the independence of the independent non-executive Directors, making recommendation to the Board on nomination and appointment of Director and Board succession planning. In assessing the suitability of a proposed candidate for Director, the nomination committee may consider the educational background, qualifications, skills, knowledge and experience of the proposed candidate, the impact of the proposed appointment on the composition, diversity and structure of the Board, and other perspectives appropriate to the Group's businesses and the Board. During the year, the nomination committee had reviewed the policies for the nomination and appointment of Directors, the Board's nomination and diversity policies and assessed the independence of the independent non-executive Directors and there was 1 meeting of the nomination committee in which all members had attended. The nomination committee has been provided with sufficient resources to enable it to discharge its duties.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the required standards on dealing under the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. Each of the Directors has confirmed that he/she had complied with the required standard during the year ended 31 December 2022.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standards and the disclosure requirements of the GEM Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2022, the Group has adopted suitable accounting policies in accordance with Hong Kong accounting principles and applied them consistently. A statement by the auditor of the Company about its responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report contained in this annual report.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises that constant changes taking place in the business environment call for periodic reviews of the system of risk management and internal controls and well-managed internal controls will enable effective and efficient operations, ensure the reliability of internal and external reporting and assist in the compliance with applicable laws and regulations. The Board takes responsibility for the Group's system of risk management and internal controls and for reviewing its effectiveness. The Group's management is primarily responsible for designing and implementing the policies and procedures of risk management and internal controls, while the Board and the audit committee oversee and review the effectiveness of the internal controls. The Company's internal audit function is performed by the finance department, which reports directly to the Directors and has direct access to the chairperson of the audit committee. The finance department has unrestricted access to review all aspects of the Group's business activities. The tasks of finance department in respect of its internal audit functions include: (i) reviewing and reporting on internal and operational controls; (ii) following-up on the suggestions made by external auditors; and (iii) review of areas of concern identified by senior management. The Board considers that the risk management and internal control systems are effective and adequate.

AUDITOR'S REMUNERATION

BDO Limited is the external auditor of the Company for the year ended 31 December 2022 and the fees (excluding disbursements) payable to it (including audit services) were HK$1,100,000.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company uses a number of channels to communicate to shareholders and potential investors on the performance of the Company, including (i) the publication of quarterly, interim and annual reports; (ii) the annual general meetings and special general meetings which provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group available on the website of the Company; and (iv) the Company's share registrar in Hong Kong serving the shareholders on all share registration matters. The Company aims to provide its shareholders and potential investors with high standard of disclosure and financial transparency. Shareholders are encouraged to attend the annual general meetings of the Company in which the Directors are available to answer shareholders' questions on the Group's businesses and affairs at the meetings.

Environmental, Social and Governance Report

This Environmental, Social and Governance Report (the "ESG Report") of the Group contains the environmental and social information for the year ended 31 December 2022 and is summarised as follows:

A. ENVIRONMENT ASPECTS

A1. Emissions

The Group, appreciating global warming concerns and importance of environment protection, has complied with the environmental laws and regulations in Hong Kong and is not aware of any non-compliance with the laws and regulations on air and greenhouse emissions and hazardous and non-hazardous waste generation. The Group is committed to minimising emission of air pollutants and greenhouse gases in its business activities. For the year ended 31 December 2022, the main operation of the Group in Hong Kong is office-based and does not lead to significant direct emission of air pollutants and greenhouse gases. Consumption of electricity at the Group's office premises in Hong Kong was the largest source of greenhouse emission. The Group's indirect greenhouse emission (Scope 2) amounted to 8.0 tonnes (carbon dioxide equivalent), representing an increase of 12.6% from 7.1 tonnes in 2020. The Group does not have any significant direct greenhouse emission (Scope 1) for both 2021 and 2022. Greenhouse emissions are calculated with reference to the guidelines in "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" issued by the Environmental Protection Department, and the "Carbon Toolkit for Small and Medium Enterprises in Hong Kong" issued by the University of Hong Kong and City University of Hong Kong. The Group, in addition to measures in keeping the office temperature at 25°C and installing LED lighting or energy-saving lighting, continuously motivates its employees to use electronic means for communication and circulation of documents wherever practicable so as to promote paperless culture and a digitalized community, supports the use of video or telephone conference to reduce the need for staff travelling and encourages its staff to take public transport where staff travelling is required in order to reduce energy consumption.

A2. Waste Management

The Group adheres to waste management principle and strives to properly manage and dispose of wastes produced by its business activities. In 2022, the Group's main operation in Hong Kong was office-based and did not generate hazardous wastes in the course of its business operations and the non-hazardous wastes generated by it mainly comprise paper and toner cartridges. The Group encourages its staff to be more aware of the significance of sustainable development and to make efforts to minimize non-hazardous wastes. The Group's office in Hong Kong has implemented various measures to encourage its employees to participate in waste reduction management, including: (i) promotion of green information and electronic communication (such as email) for "paperless" system; and (ii) recommendation of the use of recycled papers, used envelopes and duplex printing and single-sided printing would only be adopted in handling official documents and confidential documents when necessary.

Environmental, Social and Governance Report

A3. Use of Resources

The energy consumption of the Group is relatively low and mainly comprises electricity purchased. As mentioned above, the Group has energy saving measures in place to minimize its energy consumption where possible. During the year ended 31 December 2022, the electricity consumption of the Group amounted to 9,500 kWh (2021: 8,000 kWh). The Group does not consume significant water in its business activities. During the year ended 31 December 2022, the Group consumed 36 tonnes (2021: 55 tonnes) of water. The Group does not have issues relating to sourcing water. The Group also promotes the habit of conservation of natural resources where possible.

A4. Environmental and Natural Resources

The Group strives to promote environmental protection and make effective use of its resources and adopts the concepts of reduce, reuse, recycle and replacement.

B. SOCIAL

Employment and Labour Practices

B1. Employment

The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance. It has also followed the relevant regulations/policies in respect of recruitment, promotion, dismissal, equal opportunities, diverse culture and anti-discrimination. The Group has never minor or forced labour or employed employee with a basic salary below the statutory minimum wage. It is the Group's policy not to employ any minors or forced labour. During the year ended 31 December 2022, the Group did not engage any minor labour or forced labour and has complied with the relevant laws and regulations, including the Employment of Children Regulations under the Employment Ordinance. The Group's administration department has formulated comprehensive human resources policies, which are contained in the staff manual/staff information for the staff to understand and rules of personnel. The Group remunerates its staff based on performance and may some time provides benefits better than those required by the laws so as to establish a team of elites.

B2. Health and Safety

The Group has complied with the health and safety regulations and formulates requirements in respect of the environment control and hygiene in workplace. The Group places great concern to improve indoor air quality and hygiene in the office premises and provides staff with hygiene masks and sanitizers with disinfectants to reduce the chance of its staff being suffered from respiratory infection. In response to the outbreak of COVID-19 pandemic, the Group had made arrangements to reduce the physical interaction and provide staff with hygiene masks for health consideration of the employees. In addition, the Group also carries out carpet cleaning and pest control to ensure that staff can work in a neat and clean working environment. The Group has installed appropriate lighting system to ensure the staff can work under sufficient and comfortable lighting. The Group also ensures that there are adequate first-aid facilities in workplace and that all emergency exits remain unimpeded and unlocked. The Group will continue its effort to promote a caring working environment to its employees.

B3. Development and Training

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job training, the Group also encourages its staff to further study and keep up-to-date knowledge in their areas of expertise.

Environmental, Social and Governance Report

B4. Supply Chain Management and Service Quality

The general business suppliers of the Group comprise suppliers engaged in information technology, legal, accounting and other commercial services as well as office supplies. The Group is not aware that any of these suppliers will constitute major social risks to its businesses. The Group strives to provide quality services to its customers and has complied with the relevant laws and regulations.

B5. Anti-corruption

The Group maintains a high standard of business integrity throughout the operations and will not tolerate any corruption or bribery in any form. For the year ended 31 December 2022, the Group complied with the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter Terrorist Financing. The Group will only trade with persons who are impartial and for the benefits of the Company and will not tolerate any employees to accept gifts, entertainment activities or bonuses which do not comply with the normal social etiquette and ethical business practices. If they are required to accept gifts, entertainment activities or other concessions beyond the normal etiquette, they shall report to their supervisors and obtain the approval from their supervisors who are not involved in accepting such concessions and there shall be an appropriate business reasons for such approval.

B6. Community

The Group has always been philanthropic and strived to be a good corporate citizen. The Group encourages its staff to participate in social service and makes donation to charitable institutions from time to time. During the year, the Group did not make any donation (2021: Nil) to charitable institutions.

Independent Auditor's Report

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To the members of M-Resources Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of M-Resources Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 90, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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 Hong Kong Financial Reporting Standards 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.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Impairment assessment on trade receivables

As at 31 December 2022, the Group had gross trade receivables of approximately HK$12,505,000 and loss allowance of approximately HK$1,812,000. We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit loss ("ECL") of the Group's trade receivables at the end of the reporting period.

Management of the Group estimates the amount of lifetime ECLs of trade receivables based on provision matrix through grouping of various debtors that have similar credit risk characteristics based on nature and industry of debtors. Internal credit rating has been given to each category of debtors after considering aging, historical credit loss experience adjusted for forward-looking factors specific to these debtors. Trade receivable with significant balance and credit impaired is assessed for ECL individually. The Group assess ECL on this trade receivable with significant balance and credit impaired based on probability of default, loss given default and adjusted for forward-looking factors specific to the debtor.

The accounting policies and disclosure for estimation of impairment of trade receivables are included in Notes 4.6(ii), 5(iv), 20 and 38(c) to the consolidated financial statements.

Our response:

Our audit procedures in relation to management's impairment assessment on trade receivables included:

- Understanding key controls on how the management estimates the credit loss allowance for trade receivables;

- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at year end date, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, basis of estimated loss rates applied in each category in the provision matrix, and basis on the use of probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information;

- Testing the integrity of information used by management to develop the provision matrix by checking supporting information for the nature and industry of the debtors, on a sample basis;

- Testing the reasonableness of internal credit rating given to each category of debtors by checking trade receivables aging analysis as at 31 December 2022, historical credit loss experience adjusted for forward-looking factors, repayment history and past due status of respective trade receivables by comparing individual items in the analyses with the relevant invoices, bank receipts and other supporting information, on a sample basis; and

- Testing the estimated loss rates applied on ECL assessment by checking the external credit report for probability of default and loss given default.

Independent Auditor's Report

DIRECTORS' RESPONSIBILITY 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 Hong Kong Financial Reporting Standards 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 are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

Independent Auditor's Report

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

- 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.

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants

Pak Tak Lun
Practising Certificate Number: P06170

Hong Kong, 31 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	**22,312**	27,087
Cost of sales		**(19,686)**	(23,803)
Gross profit		**2,626**	3,284
Gain on derecognition of liabilities under the Scheme		**55,704**	–
Other income, gains and losses	8	**856**	(30)
Administrative expenses		**(6,152)**	(6,641)
Finance costs	9	**(1,157)**	(2,212)
Fair value loss on debt investment at fair value through profit or loss	21	**(402)**	(87)
Impairment loss on trade receivables	20	**(1,072)**	(740)
Impairment loss on other receivables	38(c)	**(691)**	(115)
Profit/(loss) before income tax	10	**49,712**	(6,541)
Income tax	11	**(422)**	(746)
Profit/(loss) for the year attributable to owners of the Company		**49,290**	(7,287)
Earnings/(loss) per share attributable to owners of the Company	13		
Basic		**HK309.3 cents**	HK(46.8) cents
Diluted		**HK231.5 cents**	HK(46.8) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Profit/(loss) for the year	**49,290**	(7,287)
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	**(148)**	(632)
Other comprehensive income for the year, net of tax	**(148)**	(632)
Total comprehensive income for the year attributable to owners of the Company	**49,142**	(7,919)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,544**	2,634
Right-of-use assets	17(a)	**114**	336
Prepayment	22	**2,500**	2,500
Equity investments at fair value through other comprehensive income	18	**167**	271
Debt investment at fair value through profit or loss	21	**161**	563
		5,486	6,304
Current assets			
Inventories	19	**159**	1,655
Trade receivables	20	**10,693**	11,974
Prepayments, other receivables and other assets	22	**895**	514
Bank balances and cash		**4,960**	1,857
		16,707	16,000
Total assets		**22,193**	22,304
Current liabilities			
Trade payables	23	**2,433**	7,888
Other payables and accruals	24	**12,580**	11,863
Other borrowing	25	**–**	8,449
Other loans	26	**–**	13,860
Bond payable	27	**–**	26,192
Lease liabilities	17(b)	**91**	531
Tax payables		**1,865**	1,443
		16,969	70,226
Net current liabilities		**(262)**	(54,226)
Total assets less current liabilities		**5,224**	(47,922)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities	*17(b)*	**35**	34
NET ASSETS/(LIABILITIES)		**5,189**	(47,956)
Capital and reserves			
Share capital	*28*	**2,277**	1,247
Reserves	*30*	**2,912**	(49,203)
TOTAL EQUITY/(DEFICIT)		**5,189**	(47,956)

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Chan Ho Yee	**Pang King Sze, Rufina**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000 (Note 28)	Share premium* HK$'000 (Note 30)	Working capital loan* HK$'000 (Note 30)	Fair value reserve* HK$'000 (Note 30)	Accumulated losses* HK$'000	Total (deficit)/ equity HK$'000
Balance as at 1 January 2022	**1,247**	**–**	**2,004**	**(642)**	**(50,565)**	**(47,956)**
Profit for the year	–	–	–	–	**49,290**	**49,290**
Other comprehensive income:						
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	–	–	–	**(148)**	–	**(148)**
Total comprehensive income for the year	–	–	–	**(148)**	**49,290**	**49,142**
Movement during the year, net	–	–	**2,858**	–	–	**2,858**
Issue of shares under the Scheme *(Note 1.2)*	**352**	**793**	–	–	–	**1,145**
Issue of shares to subscriber *(Note 1.2)*	**678**	**3,984**	**(4,662)**	–	–	–
Balance as at 31 December 2022	**2,277**	**4,777**	**200**	**(790)**	**(1,275)**	**5,189**

	Share capital HK$'000 (Note 28)	Share premium* HK$'000 (Note 30)	Shares held for Share Award Scheme* HK$'000 (Note 30)	Working capital loan* HK$'000 (Note 30)	Fair value reserve* HK$'000 (Note 30)	Accumulated losses* HK$'000	Total deficit HK$'000
Balance as at 1 January 2021	1,455	5,293	(5,501)	–	(10)	(43,278)	(42,041)
Loss for the year	–	–	–	–	–	(7,287)	(7,287)
Other comprehensive income:							
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(632)	–	(632)
Total comprehensive income for the year	–	–	–	–	(632)	(7,287)	(7,919)
Movement during the year, net	–	–	–	2,004	–	–	2,004
Cancellation of shares held for Share Award Scheme	(208)	(5,293)	5,501	–	–	–	–
Balance as at 31 December 2021	1,247	–	–	2,004	(642)	(50,565)	(47,956)

* The total of these accounts as at the reporting dates represents "Reserves" in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**49,712**	(6,541)
Adjustments for:			
Depreciation of property, plant and equipment	*10*	**90**	76
Depreciation of right-of-use assets	*10*	**336**	313
Impairment loss on trade receivables	*20*	**1,072**	740
Impairment loss on other receivables	*38(c)*	**691**	115
Gain on derecognition of liabilities under the Scheme		**(55,704)**	–
Fair value loss on debt investment at fair value through profit or loss	*21*	**402**	87
Finance costs	*9*	**1,157**	2,212
Operating cash outflow before working capital changes		**(2,244)**	(2,998)
Decrease/(increase) in inventories		**1,496**	(653)
Decrease/(increase) in trade receivables		**209**	(2,935)
Increase in prepayments and other receivables		**(1,072)**	(96)
Decrease in trade payables		**(5,455)**	(1,048)
Increase in other payables and accruals		**7,009**	3,686
Net cash used in operating activities		**(57)**	(4,044)
Cash flows from investing activities			
Purchase of property, plant and equipment		**–**	(185)
Purchase of equity investment at fair value through other comprehensive income		**(44)**	–
Net cash used in investing activities		**(44)**	(185)
Cash flows from financing activities			
Inceptions of working capital loan		**2,858**	4,624
Repayment of working capital loan		**–**	(2,620)
Inceptions of loans	*34(b)*	**–**	5,808
Repayment of loans	*34(b)*	**(205)**	(3,360)
Advance from a director	*34(b)*	**1,380**	–
(Repayment to)/advance from a third party	*34(b)*	**(260)**	529
Capital element of lease rentals paid	*34(b)*	**(553)**	(85)
Interest element of lease rentals paid	*34(b)*	**(16)**	(28)
Interest paid for other borrowing	*34(b)*	**–**	(337)
Net cash generated from financing activities		**3,204**	4,531
Net increase in cash and cash equivalents		**3,103**	302
Cash and cash equivalents at the beginning of the year		**1,857**	1,555
Cash and cash equivalents at the end of the year		**4,960**	1,857

Notes to the Consolidated Financial Statements

31 December 2022

1. GENERAL INFORMATION AND DEBT RESTRUCTURING

1.1 General information

M-Resources Group Limited ("the Company") is a limited liability company incorporated in Bermuda. The ordinary shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company's principal place of business in Hong Kong is situated at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in the sales of household and plantation products and the sales of accessory items.

1.2 Updates on debts restructuring during the year

A winding-up petition dated 26 May 2021 was filed by a creditor of the Company to the High Court of Hong Kong (the "Court") under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) to wind up the Company on the grounds that the Company was insolvent and unable to settle an overdue loan together with any unpaid interest in the prior year. The receipt of the winding-up petition constituted a default event under the terms and conditions of its perpetual bond and other loans during the financial year ended 31 December 2021. Given the Group's highly indebted position in 2021, the Company had pursued a debt restructuring arrangement by way of scheme of arrangement (the "Scheme") and applied to the Court for an adjournment of the winding-up petition during the financial year 2021.

On 22 July 2022, the Court has sanctioned the Scheme which became effective on 27 July 2022. Following the sanction of the Scheme, on 8 August 2022, the Court has made an order that the winding-up petition was dismissed.

As stated on a list of creditors under the Scheme, the scheme creditors which comprising creditors being accounted for, in the books and records of the Group, as other borrowing, other loans, bond payable and other payables and accruals (the "Scheme Creditors"). The carrying amounts of other borrowing, other loans, bond payable and other payables and accruals as of the date of effective of the Scheme were approximately HK$10,265,000, HK$14,242,000, HK$26,546,000 and HK$6,039,000, respectively. These Scheme Creditors are entitled to elect either (i) settlement in cash representing 2% of their respective admitted claims; or (ii) settlement by way of allotment and issue of new shares of the Company on the basis of one new share of the Company for every HK$10 of their respective admitted claims (the "Scheme Shares"), to fully settle their respective admitted claims.

Out of the payable to Scheme Creditors amounted to approximately HK$57,092,000, some of these Scheme Creditors with payable amounts of approximately HK$914,000 had not chosen its settlement option of which are deemed to forfeit their right to receive settlement. Among the admitted claims from these remaining Scheme Creditors of approximately HK$56,178,000, the Scheme Creditors with admitted claims of approximately HK$12,123,000 and approximately HK$44,055,000 have selected to receive cash settlement and Scheme Shares, respectively. The Company has to settle these Scheme Creditors in cash of approximately HK$243,000 and in 4,405,465 Scheme Shares on 22 December 2022. Accordingly, the Group recognised a gain on derecognition of liabilities of approximately HK$55,704,000 to the consolidated profit and loss of the Group and correspondingly recognised approximately HK$352,000 and HK$793,000 as share capital and share premium, respectively, arose from the issue of Scheme Shares.

In addition, during the financial year ended 31 December 2021, the Company had entered into a facility agreement with a facility provider (the "Subscriber") for the provision of a working capital loan for the Company to finance its operating costs and the costs associated with the Scheme. Pursuant to the subscription agreement entered into between the Company and the Subscriber on 24 August 2022, the working capital loan amounted to approximately HK$4,662,000 will be settled by way of the allotment and issue of new shares to the Subscriber at HK$0.55 per share (the "Subscription Shares").

Notes to the Consolidated Financial Statements

31 December 2022

1. GENERAL INFORMATION AND DEBT RESTRUCTURING *(Continued)*

1.2 Updates on debts restructuring during the year *(Continued)*

In respect of the issuance of Subscription Shares for the settlement of working capital loan of approximately HK$4,662,000, the Company allotted and issued in total 8,476,364 Subscription Shares. As further explained in Note 30 "Working capital loan", the working capital loan has been classified as an equity instrument. The Group accounted for an increase in share capital and share premium of approximately HK$678,000 and HK$3,984,000, respectively, for the issuance of Subscription Shares.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2022

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018–2020	

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants ("2022 Amendments")[2]
HKFRS 17	Insurance Contracts and the Related Amendments[1]
Amendments to HKAS 1	Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates[1]
Amendments to HKAS 12	Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[1]
Amendments to HKFRS 16	Leases: Liability in a Sales and Leaseback[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.

Notes to the Consolidated Financial Statements

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2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. Earlier application is permitted.

The director of the Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments in 2020 introduced changes to simplify some of the requirements; make financial performance easier to explain and ease transition by providing addition transition reliefs. Amendments in 2022 introduced a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17 to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The directors of the Company do not anticipate that the application of these standard and amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1, Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary.

The directors of the Company are currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Notes to the Consolidated Financial Statements

31 December 2022

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 12, Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKFRS 16, Leases: Liability in a Sales and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Notes to the Consolidated Financial Statements

31 December 2022

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement and going concern assumption

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The Group recorded net profit for the year ended 31 December 2022 of approximately HK$49,290,000 after the recognition of an one-off gain on derecognition of liabilities under the Scheme of approximately HK$55,704,000. In other words, the Group was suffering from operating loss for the year if the one-off non-cash gain from derecognition of liabilities under the Scheme of Arrangement has not been taken into account. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$262,000. In addition, the Group had net operating cash outflow for the year ended 31 December 2022 of approximately HK$57,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern. These consolidated financial statements were prepared based on going concern basis as the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations based on a projected cash flow covering 12 months from the date of reporting after taking account of the followings:

(a) enhancing the collection of accounts receivable by monitoring repayments;

(b) continuing to take measures to control discretionary expenses and administrative costs to improve the Group's liquidity position and to reduce operating costs; and

(c) broadening product offerings and customer base of the Group's principal businesses to increase its profitability.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from the date of report. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

When the Group loses control of a subsidiary, the gain 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. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Property, plant and equipment

Property, plant and equipment including plants, machinery and equipment and leasehold improvements, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Plants, machinery and equipment	20%
Leasehold improvements	Over lease terms
Furnishing	Not depreciated

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Government grant

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

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

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

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchases option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) The amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) Any lease payments made at or before the commencement date, less any lease incentives received;

(iii) Any initial direct costs incurred by the lessee; and

(iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) Fixed lease payments less any lease incentives receivable;

(ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) Amounts expected to be payable by the lessee under residual value guarantees;

(iv) Exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by:

(i) Increasing the carrying amount to reflect interest on the lease liability;

(ii) Reducing the carrying amount to reflect the lease payments made; and

(iii) Remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined below), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial Instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) ***Impairment loss on financial assets***

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. Trade receivables with significant balances and/or credit-impaired are assessed for ECLs individually. The Group calculates the lifetime ECLs on these receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. Lifetime ECLs for trade receivables which are not assessed individually are estimated by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default or being more than 90 days past due; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for a security because of financial difficulties.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for debt instruments measured at FVTOCI, whose loss allowance shall be recognised in other comprehensive income.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial Instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bond and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4.6(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Financial Instruments *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of household and plantation products, and accessory items

Customers obtain control of the household and plantation products and accessory items when the goods are delivered to and have been accepted by the customers. Revenue is thus recognised upon when the customers accepted household and plantation products, and accessory items. There is generally only one performance obligation.

Goods sold by the Group include warranties which require the Group to either replace or amend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets. As historically there was no goods replacement nor liability claim, the Group does not recognise the provision of contract consideration for this warranty.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Revenue recognition *(Continued)*

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and initial recognition of assets and liabilities that do not form part of the business combination that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.10 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Employee benefits

(i) Short term employee benefit

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund 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 and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Under the above scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(iii) Termination benefits

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

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.13 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

4.16 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 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 Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting judgements and key sources of estimation uncertainty are as follows:

(i) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(ii) Useful lives and residual values of property, plant and equipment

The management of the Group determines the residual values, estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where residual values and useful lives are different from the previous estimates. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of property, plant and equipment

In assessing impairment of property, plant and equipment, the Group's management uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable information from similar comparable products in the market. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Notes to the Consolidated Financial Statements

31 December 2022

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

(iv) Provision for ECL on trade receivables

The Group uses a probability of default to assess ECLs for trade receivables with significant balances and/or credit-impaired individually. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For trade receivables which are not assessed individually, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns (e.g. by geography, product type, and customer type and rating, etc.). The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic products) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's default in the future. The information about ECLs on the Group's trade receivables and related credit risk is disclosed in notes 20 and 38(c), respectively.

(v) Fair value measurement

The fair value measurement of the Group's financial assets at FVTOCI and at FVTPL utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

– Level 1: Quoted prices in active markets for identical items (unadjusted);

– Level 2: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(vi) ECLs on other receivables

The ECLs for financial assets including other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such ECLs, broadly based on the available historical data, existing market conditions including forward looking estimates at the end of the reporting period.

Notes to the Consolidated Financial Statements

31 December 2022

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group reportable segments are managed separately as each business offers and requires different business strategies. During the year, the Group has three (2021: three) reportable operating segments:

- The sales of household products (the "Household Business");
- The sales of plantation products (the "Plantation Business"); and
- The sales of accessory items (the "Accessory Business")

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that gain on derecognition of liabilities under the Scheme, unallocated finance costs, as well as corporate expenses are excluded from such measurement.

In the opinion of the Directors, the Group's financial services business has been inactive for the past two years.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing, other loans, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The directors present the segment information for the current year after considered the aggregation criteria and quantitative thresholds. The segment presentation for the comparative figures in 2021 has been re-presented in order to align with the presentation in current year.

Notes to the Consolidated Financial Statements

31 December 2022

6. SEGMENT REPORTING *(Continued)*

(i) The following summary describes the operations in each of the Group's reportable segments:

	Year ended 31 December 2022			
	Household Business *HK$'000*	**Plantation Business** *HK$'000*	**Accessory Business** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue	11,244	4,902	6,166	22,312
Reportable segment profit/(loss)	602	(813)	625	414
Gain on derecognition of liabilities under the Scheme				55,704
Unallocated corporate expenses				(5,252)
Unallocated finance costs				(1,154)
Profit before income tax				49,712
Reportable segment assets	16,981	3,760	934	21,675
Unallocated assets *(note)*				518
Total assets				22,193
Reportable segment liabilities	11,791	1,772	424	13,987
Unallocated liabilities *(note)*				3,017
Total liabilities				17,004
Other information				
Depreciation	–	71	–	71
Unallocated depreciation				355
				426
Impairment loss of trade receivables	1,072	–	–	1,072
Impairment loss of other receivables	–	691	–	691

Notes to the Consolidated Financial Statements

31 December 2022

6. SEGMENT REPORTING *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2021			
	Household Business *HK$'000* (Re-presented)	Plantation Business *HK$'000* (Re-presented)	Accessory Business *HK$'000* (Re-presented)	Total *HK$'000*
Reportable segment revenue	19,683	6,193	1,211	27,087
Reportable segment profit	1,341	(817)	49	573
Unallocated corporate expenses				(4,905)
Unallocated finance costs				(2,209)
Loss before income tax				(6,541)
Reportable segment assets	17,086	3,433	39	20,558
Unallocated assets *(note)*				1,746
Total assets				22,304
Reportable segment liabilities	12,378	1,540	42	13,960
Unallocated liabilities *(note)*				56,300
Total liabilities				70,260
Other information				
Unallocated capital expenditure				747
Depreciation	–	81	–	81
Unallocated depreciation				308
				389
Impairment loss of trade receivables	740	–	–	740
Impairment loss of other receivables	–	55	–	55
Unallocated impairment loss of other receivables				60
				115

Note: Unallocated assets mainly represent corporate assets, financial assets at FVTOCI and at FVTPL.

Unallocated liabilities mainly represent corporate liabilities, other borrowing, other loans and bond payable.

Notes to the Consolidated Financial Statements

31 December 2022

6. SEGMENT REPORTING *(Continued)*

(ii) Geographical Information

Revenue from external customers

	2022 HK$'000	2021 HK$'000
Hong Kong (place of domicile)	**5,350**	7,404
The PRC	**12,116**	7,029
The United States (the "US")	**4,846**	12,654
	16,962	19,683
	22,312	27,087

The classification of the revenue is based on the location of the customers' operation.

Specified non-current assets

	2022 HK$'000	2021 HK$'000
Hong Kong (place of domicile)	**2,658**	2,970
The PRC	**2,500**	2,500

The specified non-current assets information above is based on the locations of the assets and/or locations of the operations.

(iii) Information about major customers

In 2022, revenues from two customers of the Group's Household Business amounted to approximately HK$6,397,000 and HK$4,847,000, one customer of the Group's Plantation Business amounted to approximately HK$4,902,000, and one customer of the Group's Accessory Business amounted to approximately HK$5,034,000, which individually represent 10% or more of the Group's revenue.

In 2021, revenues from two customers of the Group's Household Business amounted to approximately HK$11,775,000 and HK$7,908,000, one customer of the Group's Plantation Business amounted to approximately HK$6,193,000, which individually represent 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

31 December 2022

7. REVENUE

An analysis of revenue as follows:

	2022 **HK$'000**	2021 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of household products	**11,244**	19,683
Sales of plantation products	**4,902**	6,193
Sales of accessory items	**6,166**	1,211
	22,312	27,087

Disaggregated revenue information

	2022 **HK$'000**	2021 *HK$'000*
Time of revenue recognition		
Goods transferred at a point in time	**22,312**	27,087

8. OTHER INCOME, GAINS AND LOSSES

	2022 **HK$'000**	2021 *HK$'000*
Government subsidies *(note)*	**36**	–
Exchange gain/(loss), net	**597**	(102)
Sundry income	**223**	72
	856	(30)

Note: There were no unfulfilled conditions or other contingencies attaching to these subsidies. All government subsidies had been received for the year ended 31 December 2022. The Group did not benefit from other forms of government assistance.

Notes to the Consolidated Financial Statements

31 December 2022

9. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities *(Note 17(b))*	**16**	28
Interest on other borrowing	**388**	680
Interest on other loans	**382**	655
Interest on bond payable	**354**	849
Others	**17**	–
	1,157	2,212

10. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	2022	2021
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**19,686**	23,803
Auditors' remuneration		
– for the year*	**1,100**	1,200
– under-provision for prior year*	**–**	150
Depreciation of property, plant and equipment* *(Note 16)*	**90**	76
Depreciation of right-of-use assets* *(Note 17(a))*	**336**	313
Exchange loss, net	**–**	102
Staff costs (including Directors' emoluments – *(Note 14)*):		
– Salaries and wages*	**1,619**	2,328
– Defined contribution scheme*	**23**	49

* Included in administrative expenses

Notes to the Consolidated Financial Statements

31 December 2022

11. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss represents:

	2022 HK$'000	2021 HK$'000
Current tax		
– Hong Kong	–	8
– PRC	422	738
	422	746

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax has been provided at the rate of 25% during the year (2021: 25%).

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

	2022 HK$'000	2021 HK$'000
Profit/(loss) before income tax	49,712	(6,541)
Tax calculated at the applicable tax rate of 16.5% (2021: 16.5%)	8,202	(1,079)
Effect of different tax rates	162	410
Tax effect of income not taxable for tax purpose	(9,191)	(4)
Tax effect of expenses not deductible for tax purposes	852	1,213
Tax effect of temporary differences not recognised	342	16
Effect of tax losses not recognised	55	190
Income tax	422	746

The Group had not recognised deferred tax assets in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in respective jurisdiction as follows:

	2022 HK$'000	2021 HK$'000
Tax losses		
– Hong Kong	1,931	1,599

The tax losses in Hong Kong could be carried forward with an infinity period.

Notes to the Consolidated Financial Statements

31 December 2022

12. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2022 (2021: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on:

	2022 ***HK$'000***	2021 *HK$'000*
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**49,290**	(7,287)
Number of share *(in '000)*		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**15,938**	15,585
Effects of:		
Issuance of shares under Scheme	**1,916**	–
Issuance of shares to Subscriber	**3,437**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**21,291**	15,585

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share has been adjusted for the consolidation of every eight existing ordinary shares of HK$0.01 each into one consolidated ordinary share of HK$0.08 each in February 2021 as if effective since 1 January 2021.

Further details on Note 1.2, the Scheme was effective on 27 July 2022 which the Scheme Creditors and Subscriber have the right to entitle the shares. In the opinion of directors, the dilutive effect shall be considered upon there was a right to issue shares. On 22 December 2022, 4,405,465 Scheme Shares have been allotted and issued to the Scheme Creditors and 8,476,364 Subscription Shares were issued to the Subscriber.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees ***HK$'000***	**Salaries, allowance and other benefits** ***HK$'000***	**Defined contribution scheme** ***HK$'000***	**Total** ***HK$'000***
For the year ended 31 December 2022				
Executive directors				
Chan Ho Yee (appointed on 2 March 2022)	**100**	**–**	**–**	**100**
He Xuemei (resigned on 30 April 2022)	**32**	**–**	**–**	**32**
Independent non-executive directors				
Pang King Sze, Rufina	**180**	**–**	**–**	**180**
Hong Bingxian	**96**	**–**	**–**	**96**
Huang Zhe	**96**	**–**	**–**	**96**
	504	**–**	**–**	**504**

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14. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees *HK$'000*	Salaries, allowance and other benefits *HK$'000*	Defined contribution scheme *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021				
Executive director				
He Xuemei	96	–	–	96
Non-executive director				
He Lamei (resigned on 30 June 2021)	72	–	–	72
Independent non-executive directors				
Pang King Sze, Rufina	180	–	–	180
Hong Bingxian	96	–	–	96
Huang Zhe	96	–	–	96
	540	–	–	540

No emolument has been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

15. THE FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group, one (2021: one) was Director whose emolument is included in the disclosures in Note 14 above. The emoluments of the remaining four (2021: four) individuals were as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Salaries and other emoluments	**792**	1,087
Defined contribution scheme	**21**	39
	813	1,126

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15. THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of the highest paid non-Directors fell within the following emolument band:

	2022 **Number of individuals**	2021 Number of individuals
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**–**	–

16. PROPERTY, PLANT AND EQUIPMENT

	Plants, machinery and equipment *HK$'000*	**Leasehold improvements** *HK$'000*	**Furnishing** *HK$'000*	**Total** *HK$'000*
2022				
At 1 January 2022				
Cost	**60**	**167**	**2,483**	**2,710**
Accumulated depreciation and impairment	**(8)**	**(68)**	**–**	**(76)**
Net carrying amount	**52**	**99**	**2,483**	**2,634**
At 1 January 2022, net of accumulated depreciation and impairment	**52**	**99**	**2,483**	**2,634**
Depreciation provided during the year	**(12)**	**(78)**	**–**	**(90)**
At 31 December 2022, net of accumulated depreciation and impairment	**40**	**21**	**2,483**	**2,544**
At 31 December 2022				
Cost	**60**	**167**	**2,483**	**2,710**
Accumulated depreciation and impairment	**(20)**	**(146)**	**–**	**(166)**
Net carrying amount	**40**	**21**	**2,483**	**2,544**

Notes to the Consolidated Financial Statements

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

	Plants, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Furnishing *HK$'000*	Total *HK$'000*
2021				
At 1 January 2021				
Cost	–	42	2,483	2,525
Accumulated depreciation and impairment	–	–	–	–
Net carrying amount	–	42	2,483	2,525
At 1 January 2021, net of accumulated depreciation and impairment	–	42	2,483	2,525
Additions	60	125	–	185
Depreciation provided during the year	(8)	(68)	–	(76)
At 31 December 2021, net of accumulated depreciation and impairment	52	99	2,483	2,634
At 31 December 2021				
Cost	60	167	2,483	2,710
Accumulated depreciation and impairment	(8)	(68)	–	(76)
Net carrying amount	52	99	2,483	2,634

Notes to the Consolidated Financial Statements

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17. LEASES

The Group as a lessee

The Group has lease contracts for its office premises and warehouse used in its operations. The leases for the office premises and warehouse have non-cancellable lease period of two years without any extension option, and lease period of two years containing early termination option, respectively.

The termination option is not reflected in the measurement of lease liabilities. The carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising early termination option because it was considered reasonably certain that the Group would not exercise its right to terminate the lease. Total lease payments of HK$60,000 (2021: HK$57,600) are potentially avoidable if the Group were to exercise the options at the earliest opportunity.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises *HK$'000*	**Warehouse** *HK$'000*	**Total** *HK$'000*
At 1 January 2021	–	87	87
Additions	562	–	562
Depreciation	(258)	(55)	(313)
At 31 December 2021 and 1 January 2022	304	32	336
Additions	–	114	114
Depreciation	(281)	(55)	(336)
At 31 December 2022	23	91	114

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movement during the year as follows:

	2022 ***HK$'000***	2021 *HK$'000*
At 1 January	**565**	88
Commencement of new leases	**114**	562
Accretion of interest recognised during the year *(Note 9)*	**16**	28
Payments	**(569)**	(113)
At 31 December	**126**	565
Analysed into:		
Current portion	**91**	531
Non-current portion	**35**	34
	126	565

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17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**16**	28
Depreciation of right-of-use assets	**336**	313

18. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Listed shares suspended for trading, at fair value	**167**	271

The equity investment were for medium-term investment purpose and designated by the Group as equity investment at FVTOCI. During the year, the Group further acquired additional listed shares at consideration of HK$44,000 for investment. As at 31 December 2022, the Group recognised a fair value loss of approximately HK$148,000 (2021: approximately HK$632,000) in other comprehensive income. The Group did not receive any dividend income from the listed equity investments during the year (2021: Nil).

19. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**159**	1,655

During the year, no write-down of inventories (2021: Nil) was recognised in cost of sales.

20. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**12,505**	12,714
Less: Impairment allowances	**(1,812)**	(740)
	10,693	11,974

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60–90 days (2021: 60–90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to the Consolidated Financial Statements

31 December 2022

20. TRADE RECEIVABLES *(Continued)*

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice dates and net of impairment allowances, is as follows:

	2022 **HK$'000**	2021 *HK$'000*
Within 1 month	**372**	1,443
More than 1 month but within 2 months	**348**	1,155
More than 2 months but within 3 months	**411**	1,485
More than 3 months but within 6 months	**120**	4,214
More than 6 months but within 1 year	**4,066**	3,677
More than 1 year	**5,376**	–
At 31 December	**10,693**	11,974

The movements in impairment allowances for trade receivables during the year are as follows:

	2022 **HK$'000**	2021 *HK$'000*
At 1 January	**740**	–
Provision for impairment	**1,072**	740
At 31 December	**1,812**	740

Trade receivables with significant balances and/or credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECLs on trade receivables which are not assessed individually using a provision matrix. As at 31 December 2022 and 2021, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for the sales of household products of approximately HK$11,254,000 (2021: approximately HK$11,187,000) using probability of default approach. The ECL rate was 16.1% (2021: 6.6%) and the loss allowance was approximately HK$1,812,000 (2021: approximately HK$740,000).

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20. TRADE RECEIVABLES *(Continued)*

As at 31 December 2022 and 2021, the Group applied simplified approach to measure life time ECLs on the Group's trade receivables for the sales of plantation products and sales of accessory items of approximately HK$1,235,000 and HK$16,000 (2021: approximately HK$1,527,000 and Nil), respectively using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

	Not yet past due	Past due within 1 year	Past due over 1 year	Total
At 31 December 2022				
ECL rate	0%	0%	100%	
Gross carrying amount *(HK$'000)*	720	531	–	1,251
ECLs *(HK$'000)*	–	–	–	–
At 31 December 2021				
ECL rate	0%	0%	100%	
Gross carrying amount *(HK$'000)*	893	634	–	1,527
ECLs *(HK$'000)*	–	–	–	–

21. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **HK$'000**	2021 *HK$'000*
Convertible Bond Receivable, at fair value	**161**	563

In 2017, the Company subscribed the Convertible Bond Receivable with a principal amount of HK$4,001,000 issued by an independent third party (the "CB Issuer") which bears interest at 1.5% per annum and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK$6.38381 per share. During the year, the Group recognised a fair value loss of approximately HK$402,000 (2021: approximately HK$87,000) in profit or loss.

In 2020, the conversion option was matured and the Convertible Bond Receivable was in default. In the opinion of Directors, the principal amount is not expected to be settled within twelve months from the reporting date and therefore the carrying amount has been classified as non-current asset.

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 *HK$'000*	2021 *HK$'000*
Prepayments *(note (a))*	**3,240**	2,818
Deposits and other receivables	**1,179**	529
	4,419	3,347
Less: Impairment allowances *(note (b))*	**(1,024)**	(333)
	3,395	3,014
Analysed into:		
Current portion	**895**	514
Non-current portion	**2,500**	2,500
	3,395	3,014

Notes:

(a) Included in prepayments as at 31 December 2022 was an amount of HK$2,500,000 (2021: HK$2,500,000) prepaid by the Group for setting up a company with another investor by mid of year 2024 (2021: mid of year 2024).

(b) At 31 December 2022, impairment allowances of approximately HK$1,024,000 (2021: approximately HK$333,000) were provided against the other receivables.

23. TRADE PAYABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade payables	**2,433**	7,888

The ageing analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Within 1 month	**750**	3,838
More than 1 month but within 2 months	**330**	1,930
More than 2 months but within 3 months	**619**	2,120
More than 3 months but within 6 months	**734**	–
	2,433	7,888

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24. OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$'000	*HK$'000*
Accrual wage and staff benefit	**289**	554
Other accruals	**1,384**	4,757
	1,673	5,311
Receipt in advance	**8,942**	3,706
Other payables	**1,965**	2,846
	12,580	11,863

Included in other payable is an amount due to a director amounted to HK$1,380,000 (2021: Nil) which was unsecured, interest free and repayable on demand.

25. OTHER BORROWING

	Effective interest rate	**2022**	2021
	%	***HK$'000***	*HK$'000*
Other borrowing – unsecured	8.5	**–**	8,449
Analysed into:			
Repayable within one year or on demand		**–**	8,449

As at 31 December 2021, the amount represented a loan from a financial institution with principal amount of HK$8,000,000, interest-bearing at 8.5% per annum and was immediately repayable.

As further details on Note 1.2 to the financial statements, the Court sanctioned the Scheme in July 2022. The Group had Other Borrowing of approximately HK$10,265,000 as at the date of effective of the Scheme, of which approximately HK$10,060,000 has been discharged and approximately HK$205,000 has been settled in cash after the Scheme being effective in July 2022.

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26. OTHER LOANS

	2022	2021
	HK$'000	*HK$'000*
Unsecured		
Other loans *(note)*	–	13,860

Note: As at 31 December 2021, the other loans were comprised of:

- a loan with carrying amount of approximately HK$13,269,000 which was interest-bearing at 5% per annum and was immediately repayable; and
- a loan with carrying amount of approximately HK$591,000 which was interest-bearing at 8% per annum and was immediately repayable.

As further details on Note 1.2 to the financial statements, the Court sanctioned the Scheme in July 2022. The Group had Other Loans of approximately HK$14,242,000 as at the date of effective of the Scheme, of which approximately HK$13,877,000 has been discharged and approximately HK$365,000 has been settled, by way of issuance of 1,404,325 shares which credited to capital at par and remaining to share premium, after the Scheme being effective in July 2022.

27. BOND PAYABLE

	2022	2021
Effective interest rate	–	2.86%
Perpetual bond *(HK$'000)*	–	26,192

A total of approximately US$3.23 million (equivalent to approximately HK$25,000,000) perpetual bond with principal amount subject to contingent settlement provisions with certain specific uncertain events that are beyond the control of the Company and the holder, was issued by the Company on 28 April 2020. The bond was perpetual, non-redeemable in the first 10 years (with right to early redeem at tenth anniversary and/or the twentieth anniversary by the issuer) and entitle the holder to receive distributions at a distribution rate of 1% + U.S. 30 years government treasury bond per annum from 28 April 2020 and fixed at 1.207% from 28 April 2022. As at 31 December 2021, the bond was immediately repayable as a result of a default event under the terms and conditions of the bond.

As further details on Note 1.2 to the financial statements, the Court sanctioned the Scheme in July 2022. The Group had Bond Payable of approximately HK$26,546,000 as at the date of effective of the Scheme, of which approximately HK$25,856,000 has been discharged and approximately HK$690,000 has been settled, by way of issuance of 2,654,523 shares which credited to capital at par and remaining to share premium, after the Scheme being effective in July 2022.

Notes to the Consolidated Financial Statements

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28. SHARE CAPITAL

		2022		2021	
	Notes	**Number**	**Amount** *HK$'000*	Number	Amount *HK$'000*
Authorised					
At 1 January		**2,500,000,000**	**200,000**	20,000,000,000	200,000
Share consolidation	(d)	**–**	**–**	(17,500,000,000)	–
At 31 December		**2,500,000,000**	**200,000**	2,500,000,000	200,000
Issued and fully paid					
At 1 January		**15,585,331**	**1,247**	145,440,151	1,455
Issue of shares under subscription agreement	(a)	**8,476,364**	**678**	–	–
Issue of shares under the Scheme	(b)	**4,405,465**	**352**	–	–
Cancellation of shares held for share award scheme *(Note 30)*	(c)	**–**	**–**	(20,757,500)	(208)
Share consolidation	(d)	**–**	**–**	(109,097,320)	–
At 31 December		**28,467,160**	**2,277**	15,585,331	1,247

Notes:

(a) As further details on Note 1.2 to the financial statements, on 24 August 2022, the Company entered into a subscription agreement with the Subscriber in respect of the settlement of the working capital loan of approximately HK$4,662,000 by way of the allotment and issue of new shares to the Subscriber. On 22 December 2022, the Company allotted and issued in total 8,476,364 Subscription Shares and accounted for share capital of approximately HK$678,000 and share premium of approximately HK$3,984,000, respectively.

(b) As further details on Note 1.2 to the financial statements, the Company has to settle admitted claims from its Scheme Creditors who selected settlement by way of Scheme Shares. On 22 December 2022, the Company allotted and issued in total 4,405,465 Scheme Shares and accounted for share capital of approximately HK$352,000 and share premium of approximately HK$793,000, respectively.

(c) In August 2019, the then convertible bond was converted into 20,757,500 shares (as adjusted for the Share Consolidation) of the Company (the "Conversion Shares").

As at 31 December 2020, the Conversion Shares were held by a trustee under the share award scheme and no award has been granted to any eligible person under the share award scheme as at 31 December 2020. Therefore, the shares held under the share award scheme are accounted for in the "Shares held for Share Award Scheme" account as at 31 December 2020. On 5 January 2021, the Company cancelled 20,757,500 shares held under its share award scheme.

(d) On 4 February 2021, a share consolidation (the "Share Consolidation") on the basis that every eight issued and unissued existing ordinary shares of HK$0.01 each were consolidated into one consolidated share of HK$0.08 each became effective. The Share Consolidation was approved by independent shareholders at the special general meeting held on 4 February 2021.

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29. SHARE OPTION SCHEME

The Company does not have any share option scheme adopted as at 31 December 2022 and previous share option scheme that was adopted in 2011 for ten years was expired in the last financial year.

No share option was granted during the financial year 2021 and the Company had no outstanding share option granted as at 1 January 2021 and 31 December 2021.

30. RESERVES

Share premium

Share premium represents premium arising from (i) the issue of Scheme Shares based on the excess of market price on the day of allotment and their par value; and (ii) the issue of Subscription Share at a price in excess of their par value.

The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda.

Shares held for Share Award Scheme

	2022		2021	
	Number	**Amount**	Number	Amount
		HK$'000		HK$'000
At 1 January	**–**	**–**	20,757,500	5,501
Cancellation of shares	**–**	**–**	(20,757,500)	(5,501)
At 31 December	**–**	**–**	–	–

As further explained in Note 28(c), the Company cancelled entire 20,757,500 shares held under Share Award Scheme during the year ended 31 December 2021.

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30. RESERVES *(Continued)*

Working capital loan

During the year ended 31 December 2021, the Group borrowed a loan using the facility as detailed in note 1.2 to finance its daily operations (the "Working Capital Loan"). The Working Capital Loan was interest-bearing at 5% per annum, and together with its accrued interest were repayable only upon the earlier of (i) winding up of the Company or (ii) completion of fund raising exercise. The Directors are of the opinion that, the fund raising exercise is within the control of the Company, and therefore, the obligation to repay the principal or the accrued interest arises only on liquidation. Accordingly, the Working Capital Loan has been classified as equity instrument and recorded in the consolidated statement of changes in equity.

As further details on Note 1.2 to the financial statements, on 24 August 2022, the Company entered into a subscription agreement with the Subscriber in respect of the settlement of the working capital loan of approximately HK$4,662,000 by way of the allotment and issue of new shares to the Subscriber. On 22 December 2022, the Company allotted and issued in total 8,476,364 Subscription Shares and accounted for share capital of approximately HK$678,000 and share premium of approximately HK$3,984,000, respectively.

Fair value reserve (non-recycling)/(recycling)

The fair value reserve (non-recycling)/(recycling) comprises the cumulative net changes in the fair value of equity/debt instruments designated as measured at FVTOCI in accordance with the accounting policy adopted for equity/debt instruments designated at FVTOCI.

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31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**61**	135
Investments in subsidiaries		**23**	24
Right-of-use asset		**23**	304
Equity investments at fair value through other comprehensive income		**167**	271
		274	734
Current assets			
Prepayments, other receivables and other assets		**55**	396
Amounts due from subsidiaries		**–**	5
Bank balances and cash		**42**	68
		97	469
Current liabilities			
Other payables and accruals		**2,978**	8,037
Other borrowing		**–**	8,449
Other loans		**–**	13,860
Bond payable		**–**	26,192
Amounts due to subsidiaries		**–**	7,475
Lease liability		**34**	497
		3,012	64,510
Net current liabilities		**(2,915)**	(64,041)
Total assets less current liabilities		**(2,641)**	(63,307)
Non-current liabilities			
Lease liability		**–**	34
		–	34
Net liabilities		**(2,641)**	(63,341)
CAPITAL AND RESERVES			
Share capital		**2,277**	1,247
Reserves	*31(i)*	**(4,918)**	(64,588)
Total deficit		**(2,641)**	(63,341)

On behalf of the Directors

Chan Ho Yee
Director

Pang King Sze, Rufina
Director

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31 December 2022

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

A summary of the Company's reserves is as follows:

(i) Movements in reserves

	Share premium *HK$'000*	Shares held for Share Award Scheme *HK$'000*	Working capital loan *HK$'000*	Fair value reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2021	5,293	(5,501)	–	(10)	(54,480)	(54,698)
Loss for the year	–	–	–	–	(11,470)	(11,470)
Fair value loss of equity investment at FVTOCI	–	–	–	(632)	–	(632)
Movement during the year, net	–	–	2,004	–	–	2,004
Cancellation of shares held under Share Award Scheme	(5,293)	5,501	–	–	–	208
At 31 December 2021 and 1 January 2022	–	–	2,004	(642)	(65,950)	(64,588)
Profit for the year	–	–	–	–	56,845	56,845
Fair value loss of equity investment at FVTOCI	–	–	–	(148)	–	(148)
Issue of shares under the Scheme	793	–	–	–	–	793
Issue of shares to subscriber	3,984	–	(4,662)	–	–	(678)
Movement during the year, net	–	–	2,858	–	–	2,858
At 31 December 2022	4,777	–	200	(790)	(9,105)	(4,918)

32. SUBSIDIARIES

Details of the principal subsidiaries held directly or indirectly by the Company as at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Normal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company 2022	2021	Principal activities
Interests held directly					
Will Link Group Limited	Hong Kong	HK$1	**100%**	100%	Household Business
Mega Adent Management Limited	Hong Kong	HK$10,000	**100%**	100%	Plantation Business
Frankford Inc. Limited	Hong Kong	HK$100	**100%**	100%	Accessory Business
Solar Fortune Limited	Samoa	US$100	**100%**	100%	Investment Holding

Notes to the Consolidated Financial Statements

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33. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in notes 14 and 15 respectively.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, there were non-cash additions to right-of-use assets and lease liabilities of approximately HK$114,000 (2021: HK$562,000) and approximately HK$114,000 (2021: approximately HK$562,000), respectively, in respect of new lease arrangements for warehouse (2021: office premises).

(b) Changes in liabilities arising from financing activities

The table below details changes in Group's liabilities arising from financing activities.

	Advances included in other payables	**Other borrowing**	**Other loans**	**Lease liabilities**	**Bond payable**	**Total**
		(Note 25)	*(Note 26)*	*(Note 17(b))*	*(Note 27)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021	305	8,106	10,757	88	25,343	44,599
Change from financing cash flows:	–					
– Capital element of lease rentals paid	–	–	–	(85)	–	(85)
– Interest element of lease rentals paid	–	–	–	(28)	–	(28)
– Interest paid for other borrowing	–	(337)	–	–	–	(337)
– Advances from third parties	529	–	–	–	–	529
– Repayment of other loans	–	–	(3,360)	–	–	(3,360)
– Other loans borrowed	–	–	5,808	–	–	5,808
	529	(337)	2,448	(113)	–	2,527
Non-cash flows:						
– Interest expense *(Note 9)*	–	680	655	28	849	2,212
– Inception of new lease	–	–	–	562	–	562
	529	680	655	590	849	2,774
At 31 December 2021	834	8,449	13,860	565	26,192	49,900

Notes to the Consolidated Financial Statements

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

(b) Changes in liabilities arising from financing activities *(Continued)*

The table below details changes in Group's liabilities arising from financing activities.

	Advance from a director included in other payables	Advances included in other payables	Other borrowing *(Note 25)*	Other loans *(Note 26)*	Lease liabilities *(Note 17(b))*	Bond payable *(Note 27)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022	–	834	8,449	13,860	565	26,192	49,900
Change from financing cash flows:							
– Capital element of lease rentals paid	–	–	–	–	(16)	–	(16)
– Interest element of lease rentals paid	–	–	–	–	(553)	–	(553)
– Cash repayment under the Scheme *(Note 1.2)*	–	–	(205)	–	–	–	(205)
– Repayments to third parties	–	(260)	–	–	–	–	(260)
– Advance from a director	1,380	–	–	–	–	–	1,380
	1,380	(260)	(205)	–	(569)	–	346
Non-cash flows:							
– Derecognition under the Scheme *(Note 1.2)*	–	–	(10,060)	(14,242)	–	(26,546)	(50,848)
– Expenses paid on behalf of the Company	–	–	1,428	–	–	–	1,428
– Interest expense *(Note 9)*	–	–	388	382	16	354	1,140
– Inception of new lease	–	–	–	–	114	–	114
	–	–	(8,244)	(13,860)	130	(26,192)	(48,166)
At 31 December 2022	1,380	574	–	–	126	–	2,080

35. LITIGATION

During the year ended 31 December 2021, the Group involved in a litigation (the "Litigation") regarding the demand for immediate repayment of its other borrowing in the principal amount of HK$8,000,000. The lender claimed that the borrowing had become overdue in May 2019.

The Litigation has been withdrawn in 2022.

Notes to the Consolidated Financial Statements

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36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity/deficit attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses, respectively.

The Directors review the capital structure on a continuous basis taking into account the loss of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares and share buy-back as well as the issue of new debts or debts restructuring, if necessary.

	2022 ***HK$'000***	2021 *HK$'000*
Trade payables	**2,433**	7,888
Other payables and accruals	**12,580**	11,863
Other borrowing	**–**	8,449
Lease liabilities	**126**	565
Tax payables	**1,865**	1,443
Other loans	**–**	13,860
Bond payable	**–**	26,192
Less: Cash and cash equivalents	**(4,960)**	(1,857)
Net debt	**12,044**	68,403
Equity/(deficit) attributable to owners of the Company	**5,189**	(47,956)
Gearing ratio	**232%**	(143%)

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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets				
FVTPL/FVTOCI:				
Equity investments at FVTOCI	**167**	**167**	271	271
Debt investments at FVTPL	**161**	**161**	563	563
Amortised cost:				
Trade receivables	**10,693**	**10,693**	11,974	11,974
Deposits and other receivables	**155**	**155**	196	196
Bank balances and cash	**4,960**	**4,960**	1,857	1,857
	16,136	**16,136**	14,861	14,861
Financial liabilities				
Amortised cost:				
Trade payables	**2,433**	**2,433**	7,888	7,888
Other payables and accruals	**12,580**	**12,580**	11,863	11,863
Other borrowing	**–**	**–**	8,449	8,449
Other loans	**–**	**–**	13,860	13,860
Bond payable	**–**	**–**	26,192	26,192
Lease liabilities	**126**	**126**	565	565
	15,139	**15,139**	68,817	68,817

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, other borrowing, other loans, bond payable and lease liabilities. Due to their short term nature, their carrying value approximates their fair value.

The carrying values of other loans and bond payable as at 31 December 2021 approximate their fair values as the effective interest rates of these financial instruments were close to market rates.

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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK'000*
At 31 December 2022				
Equity investment at FVTOCI	**–**	**–**	**167**	**167**
Debt investment at FVTPL	**–**	**–**	**161**	**161**
At 31 December 2021				
Equity investment at FVTOCI	–	–	271	271
Debt investment at FVTPL	–	–	563	563

There were no transfers between levels during the current and prior years.

Information about level 3 fair value measurement

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Equity investment at FVTOCI

The fair value of the equity investment in a listed company which shares have been suspended for trading is estimated using market approach that adjusts the closing share price of the last trading date with various factors and assumptions set out below.

General assumptions that have been taken in relation to the suspension included the followings:

– there will be no significant deviation in the industry trend and market condition from the current market expectation; and

– the business of the listed company remained in existence as at 31 December 2022.

Notes to the Consolidated Financial Statements

31 December 2022

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

Information about level 3 fair value measurement *(Continued)*

Equity investment at FVTOCI (Continued)

The Directors are of the view that the above events that are inherently outside the control of the Group has reasonably been taken into account in the fair value measurement, other significant unobservable inputs used in the fair value measurement are as follows:

		2022	2021
Probability of being delisted	*(Note a)*	**50.85%**	42.54%
Discount on share price if trading resumed	*(Note b)*	**71.31%**	61.80%
Discount for lack of marketability if being delisted	*(Note c)*	**30.20%**	27.70%
Discount for lack of marketability if trading resumed	*(Note c)*	**15.40%**	13.80%
Market value adjustment during the suspension period	*(Note d)*	**59.22%**	32.83%

Note a: Probability of being delisted is estimated based on market information for similar situation of the listed companies.

Note b: Discount of share price if trading resumed is estimated based on internal analysis on the market price changed for the listed companies from the time being suspended to the time resume trading.

Note c: Discount for lack of marketability is determined based on the management judgement after considered market liquidity conditions and company specific factors such as the company is delisted or the time between suspension and resume trading.

Note d: Market value adjustment during the suspension period is estimated based on the market price change for the comparable companies from the date of the company being suspended to the end of the reporting date.

There is no inter-relationship in between the inputs.

The sensitivity analysis of the significant unobservable inputs are as follows:

	2022		2021	
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*
Increase/(decrease) by:	**5%**	**(5%)**	5%	(5%)
Probability of being delisted	**(2)**	**2**	(2)	2
Discount on share price if trading resumed	**29**	**(29)**	35	(35)
Discount for lack of marketability if being delisted	**(6)**	**6**	(7)	7
Discount for lack of marketability if trading resumed	**(5)**	**5**	(10)	10
Market value adjustment during the suspension period	**20**	**(20)**	20	(20)

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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

Information about level 3 fair value measurement *(Continued)*

Debt investment at FVTPL

As at 31 December 2022 and 2021, the fair value of the Convertible Bond Receivable in an unlisted company was estimated using discount cash flow method based on market interest rate for a similar bond. The conversion option was matured in 2020 and the Convertible Bond Receivable was defaulted. Significant unobservable inputs used in the fair value measurement are as follows:

	2022	2021
Convertible Bond Receivable:		
Discount rate	**10%***	10%*

* In the opinion of Directors, with reference to professional valuation report, the Convertible Bond Receivable was similar to a defaulted corporate bond at the valuation date.

Convertible Bond Receivable was mandatorily designated as FVTPL.

(c) Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3)

Equity investment at FVTOCI

	2022 ***HK$'000***	2021 *HK$'000*
At 1 January	**271**	903
Purchases	**44**	–
Fair value change recognised in other comprehensive income	**(148)**	(632)
At 31 December	**167**	271

Debt investment at FVTPL

	2022 ***HK$'000***	2021 *HK$'000*
At 1 January	**563**	650
Fair value change recognised in profit or loss	**(402)**	(87)
At 31 December	**161**	563

Notes to the Consolidated Financial Statements

31 December 2022

38. FINANCIAL RISK MANAGEMENT

Details of the Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) 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 rate. The Group's interest rate risk mainly arises from bank deposits and bond payable. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's bond payable as at 31 December 2021 bears interest at floating rates whereas all of the Group's other borrowing and other loans as at 31 December 2021 bear interest at fixed rates. Details of bond payable, other borrowing and other loans are disclosed in Notes 27, 25 and 26, respectively. As further detail in Note 1.2, these liabilities were derecognised in 2022.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2021: increase/decrease) the Group's profit (2021: loss) for the year and accumulated losses by approximately HK$250,000 (2021: HK$250,000). The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

(b) Foreign currency risk

The Group is only exposed to currency risk primarily through sales and purchases and also through cash and cash equivalent balances that are denominated in US$ and RMB, the currency other than the functional currency of the entity to which they relate.

The Group does not enter into derivatives to manage currency risk, although in certain isolated cases, the Group may take steps to mitigate such risks if it is sufficiently concentrated.

Notes to the Consolidated Financial Statements

31 December 2022

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk *(Continued)*

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

	2022		2021	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
US$	**15,988**	**(8,561)**	13,720	(29,898)
RMB	**159**	**(1,260)**	1,655	(6,438)

Sensitivity analysis

The following tables indicates the approximate change in the Group's profit (2021: loss) for the year in respond to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes balances in a currency other than US$ and the functional currency of the respective group entities. A positive number indicates an increase in loss. The Group does not expected any significant movements in the US$/HK$ exchange rate which is pegged within a narrow trading range. Accordingly, no sensitivity analysis is presented.

	2022	2021
	HK$'000	*HK$'000*
RMB to HK$		
Appreciates by 14% (2021: 4%)	**148**	199
Depreciates by 14% (2021: 4%)	**(148)**	(199)

(c) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the executive director.

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38. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The credit risk of the Group on trade receivables is concentrated in one (2021: one) largest customer at 31 December 2022 which accounted for 90% (2021: 87.2%) of the Group's gross trade receivables.

The Directors consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial assets.

At 31 December 2022

	12-month ECL	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade receivables*	–	–	–	12,505	12,505
Other receivables					
– normal**	320	–	–	–	320
– doubtful	–	–	859	–	859
Bank balances and cash					
– Not yet past due	4,960	–	–	–	4,960
	5,280	–	859	12,505	18,644

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38. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

At 31 December 2021

	12-month ECL	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	12,714	12,714
Other receivables					
– normal**	249	–	–	–	249
– doubtful	–	–	280	–	280
Bank balances and cash					
– Not yet past due	1,857	–	–	–	1,857
	2,106	–	280	12,714	15,100

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20.

** The credit quality of other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The following table reconciles the impairment loss of trade receivables and other receivables.

	Trade receivables	**Other receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2021	–	218	218
Impairment loss recognised	740	115	855
At 31 December 2021 and 1 January 2022	740	333	1,073
Impairment loss recognised	1,072	691	1,763
At 31 December 2022	1,812	1,024	2,836

Impairment loss recognised during the year ended 31 December 2022 arose from increase in ECL rate (2021: Increase in ECL rate) of certain trade receivables and other receivables.

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38. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The movements in the impairment allowance for trade receivables were as follows:

	12-month ECL	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021	–	–	–	–	–
Impairment loss recognised	–	–	–	740	740
At 31 December 2021 and 1 January 2022	–	–	–	740	740
Impairment loss recognised	–	–	–	1,072	1,072
At 31 December 2022	–	–	–	1,812	1,812

Note: Included in the above allowances for ECL in respect of trade receivables is a provision for individually impaired trade receivable of approximately HK$1,812,000 (2021: approximately HK$740,000) with a carrying amount before provision of approximately HK$11,254,000 (2021: approximately HK$11,187,000).

The movements in the impairment allowance for other receivables were as follows:

	12-month ECL	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021	–	–	218	–	218
Impairment loss recognised	60	–	55	–	115
At 31 December 2021 and 1 January 2022	60	–	273	–	333
Impairment loss recognised	127	–	564	–	691
At 31 December 2022	187	–	837	–	1,024

Note: Included in the above allowances for ECL in respect of other receivables is a provision for individually impaired other receivable of HK$187,000 and HK$837,000 (2021: approximately HK$60,000 and HK$273,000) with a carrying amount before provision of approximately HK$320,000 and HK$859,000 (2021: approximately HK$249,000 and HK$280,000).

Notes to the Consolidated Financial Statements

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38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount *HK$'000*	**Total contractual undiscounted cash flows** *HK$'000*	**Within one year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*
At 31 December 2022						
Trade payables	**2,433**	**2,433**	**2,433**	**–**	**–**	**–**
Other payables and accruals	**12,580**	**12,580**	**12,580**	**–**	**–**	**–**
Lease liabilities	**126**	**129**	**94**	**35**	**–**	**–**
	15,139	**15,142**	**15,107**	**35**	**–**	**–**

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*
At 31 December 2021						
Trade payables	7,888	7,888	7,888	–	–	–
Other payables and accruals	8,157	8,157	8,157	–	–	–
Other borrowing	8,449	8,449	8,449	–	–	–
Other loans	13,860	13,860	13,860	–	–	–
Bond payable	26,192	26,192	26,192	–	–	–
Lease liabilities	565	578	544	34	–	–
	65,111	65,124	65,090	34	–	–

Notes to the Consolidated Financial Statements

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39. EVENTS AFTER THE REPORTING DATE

Save as disclosed, the Group does not have any material events after the reporting period.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 31 March 2023.

Five Years Financial Summary

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

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Re-stated and re-presented)	(Re-stated and re-presented)
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**22,312**	27,087	21,161	473	28,390
Cost of sales and services rendered	**(19,686)**	(23,803)	(18,264)	–	(22,808)
Gross profit	**2,626**	3,284	2,897	473	5,582
Gain on derecognition of liabilities under the Scheme	**55,704**	–	–	–	–
Other income and gains	**856**	(30)	457	1,671	1,616
Administrative expenses	**(6,152)**	(6,641)	(16,413)	(18,107)	(39,056)
Finance costs	**(1,157)**	(2,212)	(767)	(734)	(2,192)
Fair value loss on equity investments at fair value through profit or loss	**–**	–	(90)	(238)	(1,134)
Fair value loss on debt investment at fair value through profit or loss	**(402)**	(87)	(3,203)	(130)	(18)
Loss on disposal of debt investments at fair value through other comprehensive income	**–**	–	–	–	(232)
Loss on written off property, plant and equipment	**–**	–	–	–	(120)
Impairment loss on inventories	**–**	–	–	–	(367)
Impairment loss on goodwill	**–**	–	–	–	(3,522)
Impairment loss on property, plant and equipment	**–**	–	–	–	(919)
Impairment loss on other receivables	**(691)**	(115)	(218)	–	(8)
Written off of other receivables	**–**	–	(211)	(732)	–
Loss on disposal of subsidiaries	**–**	–	(368)	–	–
Impairment loss on trade receivables	**(1,072)**	(740)	–	–	(1,030)
Share of loss of associates	**–**	–	(71)	(813)	(2,039)
PROFIT/(LOSS) BEFORE INCOME TAX	**49,712**	(6,541)	(17,987)	(18,610)	(43,439)
Income tax expenses	**(422)**	(746)	(697)	–	(644)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATION	**49,290**	(7,287)	(18,684)	(18,610)	(44,083)

Five Years Financial Summary

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Re-stated and re-presented)	*HK$'000* (Re-stated and re-presented)
DISCONTINUED OPERATION					
(Loss)/profit from discontinued operation	**–**	–	(841)	4,814	–
PROFIT/(LOSS) FOR THE YEAR	**49,290**	(7,287)	(19,525)	(13,796)	(44,083)
Profit/(loss) for the year attributable to:					
Owner of the Company	**49,290**	(7,287)	(29,918)	(19,538)	(36,769)
Non-controlling interests	**–**	–	10,393	5,742	(7,314)
	49,290	(7,287)	(19,525)	(13,796)	(44,083)

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)
TOTAL ASSETS	**22,193**	22,304	19,534	74,396	105,488
TOTAL LIABILITIES	**(17,004)**	(70,260)	(61,575)	(58,035)	(83,673)
NON-CONTROLLING INTERESTS	**–**	–	–	(5,650)	92
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**5,189**	(47,956)	(42,041)	10,711	21,907