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

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

2024
ANNUAL REPORT

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

Contents

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Won Chik Kee
Mr. Wai Yau Hang (appointed on 1 September 2024)
Ms. Sit Ting Fong
Mr. Feng Dai (resigned on 1 September 2024)

AUDIT COMMITTEE

Mr. Won Chik Kee *(Chairman)*
Mr. Wai Yau Hang (appointed on 1 September 2024)
Ms. Sit Ting Fong
Mr. Feng Dai (resigned on 1 September 2024)

REMUNERATION COMMITTEE

Mr. Wai Yau Hang *(Chairman)*
(appointed on 1 September 2024)
Mr. Won Chik Kee
Ms. Sit Ting Fong
Mr. Feng Dai (resigned on 1 September 2024)

NOMINATION COMMITTEE

Ms. Sit Ting Fong *(Chairlady)*
Mr. Won Chik Kee
Mr. Wai Yau Hang (appointed on 1 September 2024)
Mr. Feng Dai (resigned on 1 September 2024)

COMPLIANCE OFFICER

Mr. Yau Frederick Heng Chung

AUTHORISED REPRESENTATIVES

Mr. Yau Frederick Heng Chung
Ms. Leung Sau Fong

AUDITOR

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

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

REGISTERED OFFICE

Cricket Square
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Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Ms. Leung Sau Fong

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Sling Group Holdings Limited (the "**Company**"), it is my pleasure to present the annual results of the Company and its subsidiaries (collectively called the "**Group**") for the year ended 31 December 2024.

The China economic landscape was complex in 2024. With the uneven economic recovery of different business sectors, the consumer confidence was low. And this has led to subdued domestic consumption. The Group's revenue has decreased to RMB84.6 million. Given the economic headwinds, shifting consumer priorities and keen competition on the retail market, demand for discretionary purchases, such as women's handbags, has softened. Total revenue for women's handbags amounted to RMB66.4 million, compared to RMB79.0 million in 2023.

Although it might take longer, the China economy will continue to stabilize and improve based on the policies and incentives that the government is putting in place to induce domestic consumption recently. The Group is cautious about its performance in the coming year, while, at the same time, believes it has laid critical groundwork to position the business for renewed growth. For instance, the Group's subsidiary entered into the Sales Framework Agreement with Guangzhou Caige International Trading Company Limited ("**JV Partner**") in April 2024. This has allowed the management to concentrate its resources and attention on marketing ELLE women's handbags. Furthermore, the Group's continued focus on tightening the supply chain has led to shorter lead time and leaner inventory. At the same time, we continue to believe that live streaming is the sales channel of choice for our type of products. And with the recent development of artificial intelligence ("**AI**"), we are working closely with our partners and suppliers to adopt new AI tools to help improve consumers shopping experience. In addition, we continue to work very closely with our licensing partner to explore business opportunities with them in other product categories.

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

By order of the Board
Sling Group Holdings Limited
Yau Frederick Heng Chung
Chairman

BUSINESS REVIEW

After the coronavirus "COVID-19" was over and the return of normal economic activities, the recovery in China has been uneven among different business sectors. While exports in general were strong, domestic consumption was weak. The burst of real estate bubble has a significant negative impact on local consumption. Younger generations prioritized experiential spending while seeking bargains for essentials, reflecting both "downgrades" and "upgrades" within the same demographic. The government efforts to stimulate demand through policies aimed at boosting incomes, improving social security, and promoting tourism and cultural spending had little impact in boosting consumer confidence. Together with slower income growth and higher unemployment, particularly among the youth, the consumers in China have been cautious in purchasing merchandise. Broader consumption remained constrained by these uncertainties. The Group's revenue decreased by RMB43.5 million to RMB84.6 million.

In April 2024, the Group's subsidiary entered into the Sales Framework Agreement with JV Partner, which owns 49% equity interest in our subsidiary, Sencai Maoyi (Shanghai) Company Limited ("**JV**"), which an announcement was made subsequently to disclose the relevant details. This transaction has allowed the Group to secure a reliable and stable license fee income from distributing luggage and accessories and avoid contributing additional capital to support the business development of the JV. At the same time, the management of the Group could focus on marketing ELLE women's handbags.

The business of distributing women's handbags suffered from weakened local consumption power and keen competition during the year. Like many other fashionable items, consumers' appetite for women's handbags were lower despite our increased marketing effort. The consumers generally deferred their purchases. Total revenue for women's handbags amounted to RMB66.4 million, compared to RMB79.0 million in 2023.

In terms of revenue among the brands which are ELLE and Jessie & Jane, the sale distribution was approximately 99.2% and 0.8% in 2024, compared to 98.3% and 1.7% in 2023 respectively. During the year, ELLE undergone a 33.4% reduction in revenue. Jessie & Jane further dropped by 68.7% drop in revenue.

Principal Risks and Uncertainties

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

Market and Operational Risk

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

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

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

Financial Risk

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

Relationship with Key Stakeholders

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

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by RMB43.5 million to RMB84.6 million (2023: RMB128.1million).

In terms of revenue by sales channels, the Group achieved RMB79.4 million sales from online retail sales (2023: RMB117.1 million), representing 93.9% of total sales (2023: 91.4%). Wholesale to online retailers dropped to RMB4.3 million (2023: RMB9.4 million). Total sales related to these online businesses amounted to RMB83.8 million (2023: RMB126.5 million), representing an decrease of 33.8% compared to 2023. Online businesses amounted to 99.0% of total sales (2023: 98.7%).

Offline retail sales decreased to RMB0.8 million (2023: RMB1.5 million). Wholesale to offline retailers was kept down to RMB51,000 (2023: RMB0.1 million). These offline businesses recorded total sales of RMB0.8 million (2023: RMB1.6 million). The offline businesses decreased by 50.0%. Offline businesses amounted to 1.0% of total sales (2023: 1.3%).

Among the distribution channels, the revenue of online retail sales, wholesale to online retailers, offline retail sales and wholesale to offline retailers dropped by approximately 32.2%, 53.9%, 49.4% and 52.3% respectively.

	2024		2023		Increase/ (Decrease)	Raise/ (Drop) rate
	RMB'000	**%**	RMB'000	%	RMB'000	%
Online Sales						
Online retail sales	**79,433**	**93.9%**	117,084	91.4%	(37,651)	(32.2%)
Wholesale to online retailers	**4,330**	**5.1%**	9,387	7.3%	(5,057)	(53.9%)
Offline Sales						
Offline retail sales	**774**	**0.9%**	1,531	1.2%	(757)	(49.4%)
Wholesale to offline retailers	**51**	**0.1%**	107	0.1%	(56)	(52.3%)
	84,588	**100.0%**	128,109	100.0%	(43,521)	(34.0%)

Revenue generated from ELLE products decreased to RMB83.9 million (2023: RMB125.9 million) with the revenue principally from women handbags. Jessie & Jane products continued to witness lower sales. The revenue derived from Jessie & Jane products decreased to RMB0.7 million (2023: RMB2.2 million).

	2024		2023		Increase/ (Decrease)	Raise/ (Drop) rate
	RMB'000	**%**	RMB'000	%	RMB'000	%
ELLE	**83,893**	**99.2%**	125,886	98.3%	(41,993)	(33.4%)
Jessie & Jane	**695**	**0.8%**	2,223	1.7%	(1,528)	(68.7%)
	84,588	**100.0%**	128,109	100.0%	(43,521)	(34.0%)

The Group's revenue dropped by approximately RMB43.5 million, or 34.0%, from approximately RMB128.1 million in 2023 to approximately RMB84.6 million in 2024. The revenue rebounded in 2023 after the end of COVID-19 in China but fell again when consumers cut down their consumption after facing increased uncertain economic environment. Further, the Group has changed its business arrangement to sub-license ELLE brand to its minority partner. This contributed significantly the decline in revenue.

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

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB27.8 million, or 41.2%, from approximately RMB67.5 million to approximately RMB39.7 million. The decrease was mainly attributable to the decline in revenue and the new business arrangement. Our gross profit margin for 2024 and 2023 were approximately 46.9% and 52.7% respectively, which represents 5.8% gross profit margin drop. Due to sublicensing ELLE luggage business since April 2024, a few clearance sales on aged stock, and intense price competition, the overall gross profit margin of the Group was affected.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB19.2 million, or 32.2%, from approximately RMB59.6 million to approximately RMB40.4 million. The decrease was mainly attributable to lower expenses in (i) marketing shop expenses in distributing luggage and accessories (ii) sale commission, (iii) delivery costs, and (iv) advertising expenses. To balance streamlining business operations and developing ELLE luggage & accessories with limited resources, the business model of this segment has changed to sub-licensing to our minority shareholder. As such, the volume of sale activities was reduced and thus corresponding variable selling and distribution costs dropped accordingly.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses were kept down slightly by approximately RMB0.4 million, or 2.9%, from approximately RMB13.6 million to approximately RMB13.2 million. The decline was mainly attributable to lower staff costs and management fee.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2024,

(a) the Group's total assets decreased to approximately RMB33.4 million (2023 approximately RMB49.1 million) while the total equity increased to a deficit of approximately RMB11.6 million (2023: approximately a deficit of RMB3.8 million);

(b) the Group's current assets decreased to approximately RMB28.4 million (2023: approximately RMB41.9 million) while the current liabilities decreased to approximately RMB33.5 million (2023: approximately RMB43.7 million);

(c) the Group had approximately RMB8.2 million in cash and cash equivalents (2023: approximately RMB7.4 million), and the current ratio of the Group was approximately 0.85 times (2023: approximately 0.96 times);

(d) the Group had bank borrowings of approximately RMB16.8 million (2023: approximately RMB18.1 million), leaving RMB35.2 million uncommitted banking facilities available for future utilization;

(e) the gearing ratio (calculated based on total debt divided by total equity as at the end of the year and multiplied 100%) of the Group was not applicable (2023: not applicable).

The share capital of the Group only comprises ordinary shares. The Group actively and regularly reviews the capital structure and make adjustments in light of changes in economic conditions. The Group monitors the capital structure on the basis of net debt to equity ratio, profile of bank borrowings, and free cash on hand. In 2022, the principal shareholders and a director in total provided a RMB4.5 million (equivalent to HK$5.0 million) loan to the Group to strengthen working capital. For the year 2023, a shareholder has further provided a RMB4.1 million (equivalent to HK$5.0 million) loan to the Group. For the year 2024, the principal shareholders again provided a RMB2.8 million (equivalent to HK$3.0 million) loan for the same purpose.

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

CAPITAL EXPENDITURE

During the year ended 31 December 2024, the Group invested approximately RMB16,000 (2023: RMB2,353,000) and RMB195,000 (2023: nil) on the acquisition of property, plant and equipment (including right-of-use assets) and intangible assets respectively. Capital expenditure was principally funded by internal resources.

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

Save as disclosed in note 25 to the consolidated financial statements, the Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2024 (2023: Nil).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no material contingent liabilities or off-balance sheet obligation (2023: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

Save as disclosed in note 24 to the consolidated financial statements, as at 31 December 2024, the Group did not have any assets pledged to secure general banking facilities (2023: Nil).

PROSPECT

The Group suffered from weakened consumer appetite and lower purchasing power in 2024. The rebound in sales in 2023 was short lived. The negative wealth effect after the burst of property market and higher unemployment rate dampened consumer confidence which dragged down the Group overall online sales. The economic adjustments in China might take longer than originally anticipated as more external factors, such as the Sino-US trade war, added pressure to the China economy. The sales of non-essential items have been under pressure.

The Group is cautious on the economy in 2025 despite a few positive signs including government handing out incentives for consumption, lowering interest rates to induce consumption, bottoming out stock markets in view of technological advancement in artificial intelligence and a number of key industries. All these will motivate consumers to spend more and save less.

The Group continues to focus on providing the best value proposition to our customers through livestreaming online marketing, which offers a more dynamic shopping experience. In view of recent advances in AI, the Group prioritizes to use new AI tools to enhance marketing initiatives and improve the customer experience. The application of latest technology in Artificial Intelligence Generated Content enables generating much more materials, such as content, photos and videos, while keeping related costs low. Our online customer service is currently updated with AI agents to manage staffing cost more effectively. The Group continually look for ways to streamline our supply chain, maximize financial resources for businesses, and keeping lean and fit by controlling operation costs.

FOREIGN CURRENCY EXPOSURE

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

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

HUMAN RESOURCES

As at 31 December 2024, the Group had 38 employees (2023: 49) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB8.9 million for the year ended 31 December 2024 (2023: RMB9.8 million). The remuneration packages of the Group's employees include salaries, bonus, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonuses, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2024 are generally appreciated and recognized.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yau Frederick Heng Chung ("Mr. Fred Yau"), aged 50, son of Mr. Yau Sonny Tai Nin, nephew of Mr. Yau Tai Leung Sammy, is our Chairman, executive Director and one of our Controlling Shareholders. He also sits on boards of various companies within the Group. He is primarily responsible for the overall business corporate strategic planning and development of our Group. He obtained a bachelor's degree in chemistry from Harvard University in the United States in June 1997.

Mr. Fred Yau has over 22 years of experience in the women's handbag industry. Since March 2002, he has become a director of Sling Incorporated Limited and has been responsible for our Group's strategic and development planning. Mr. Fred Yau has also become an executive director of Yen Sheng Factory Limited since 2002 and has been responsible for coordinating the operation of Yen Sheng Factory Limited, including marketing, sales and distribution, managing merchandising and production operation. Through his industry-related working experience, Mr. Fred Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Lee Tat Fai Brian ("Mr. Brian Lee"), aged 51, is our chief executive officer and executive Director. He is the son of Ms. Li Wing Chi Agnes who is one of our substantial shareholders through Summit Time Resources Limited. He also sits on boards of various companies within the Group. He is primarily responsible for the operation and management of our Group. He obtained a bachelor's degree in arts and a degree of bachelor of science in economics both from the University of Pennsylvania in the United States in May 1995.

Mr. Brian Lee has over 24 years of experience in the women's handbag industry. In 1999, he and his then business partners, together with the Yau Family, founded our Group with a view to develop women's handbags business. He has been a director of Sling Incorporated Limited since May 1999, and has been responsible for the operation and management of our Group, including the implementation and execution of our business plans. Through his industry-related working experience, he has accumulated industry knowledge and market understanding for the women's handbag industry.

NON-EXECUTIVE DIRECTORS

Mr. Yau Sonny Tai Nin ("Mr. Sonny Yau"), aged 77, father of Mr. Fred Yau and elder brother of Mr. Yau Tai Leung Sammy, is our non-executive Director and one of our Controlling Shareholders. Mr. Sonny Yau is also a director of Sling BVI and Sling Incorporated Limited. He is primarily responsible for supervising and providing strategic guidance to our Board. He obtained a bachelor's degree in science from Cornell University in the United States in May 1972.

Mr. Sonny Yau has over 49 years of experience in the handbag industry. Mr. Sonny Yau and the Yau Family founded Yen Sheng Group and Tai Heng Group, which are principally engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1975, Mr. Sonny Yau has been leading Yen Sheng Factory Limited as the chief executive officer and the director of operation. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, setting the company's values, culture and behaviour, building the senior executive team and allocating resources of the company. Through his industry-related working experience, Mr. Sonny Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Yau Tai Leung Sammy ("Mr. Sammy Yau"), aged 71, younger brother of Mr. Sonny Yau and uncle of Mr. Fred Yau, is our non-executive Director and one of our Controlling Shareholders. Mr. Sammy Yau is also a director of Sling Incorporated Limited. He is primarily responsible for supervising and providing strategic guidance to our Board.

Mr. Sammy Yau has over 48 years of experience in the handbag industry. The Yau Family, including Mr. Sammy Yau, founded Yen Sheng Group and Tai Heng Group, which are engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1977, Mr. Sammy Yau has been leading Yen Sheng Factory as the director of sales and an executive director. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, sales and operation, and building the senior executive team. Through his industry-related working experience, Mr. Sammy Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Won Chik Kee ("Mr. Won"), aged 55, was appointed as our independent non-executive Director on 15 December 2017. He is a chairman of Audit Committee, a member of each of Remuneration Committee and Nomination Committee of the Board. He obtained a diploma of accountancy from Lingnan College in January 1993, and a bachelor's degree of business from the Monash University in Australia in July 1996. Mr. Won has become an associate in (i) The Chartered Association of Certified Accountants since February 1995; (ii) the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1995; and (iii) The Australian Society of Certified Practising Accountants since February 1996. He also has become a fellow of The Association of Chartered Certified Accountants since February 2000.

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

Mr. Wai Yau Hang ("Mr. Wai"), aged 63, was appointed as our independent non-executive Director on 1 September 2024. He is a chairman of Remuneration Committee, a member of each of Audit Committee and Nomination Committee of the Board. He received a Master's degree in Coaching from the UK and is major in leadership development in his doctorate research in Hong Kong. Mr. Wai has been in the industry of corporate training and coaching for 30 years.

Mr. Wai is currently an adjunct professor of Management in Hong Kong University of Science and Technology. He is also a Certified Coach, Certified Leadership Facilitator and Certified Mindfulness Teacher. He is leading a Mindfulness-Based Leadership Development course with EMBA class at the China Europe International Business School "CEIBS", Shanghai.

Directors and Senior Management *(Continued)*

Ms. Sit Ting Fong ("Ms. Sit"), aged 50, was appointed as our independent non-executive Director on 31 January 2019. She is the chairlady of Nomination Committee, a member of each of Audit Committee and Remuneration Committee of the Board. She obtained a degree of bachelor of business administration with first class honours from the Chinese University of Hong Kong in December 1997, and a degree of master in business administration from Harvard University in the United States in June 2002.

Ms. Sit has over 21 years of strategic consulting, private equity investment and portfolio management experience in the Greater China region. From October 2002 to March 2005, Ms. Sit was a consultant with Bain & Company in China, where she advised multinational corporations on market entry, business expansion, and operating strategies. Between May 2005 and June 2007, Ms. Sit worked at Crimson Investment as a Vice President, focused on growth capital investments in China, Taiwan and the United States. Between July 2007 and April 2011, Ms. Sit joined the Greater China Private Equity Unit of the D. E Shaw group, a global investment and technology development firm, as Vice President and later Director, responsible for the firm's private equity investment and portfolio management activities in the region. Ms. Sit is a founding member of Ascendent Capital Partners, a Greater China private equity investment management firm established in April 2011. Ms. Sit rejoined Bain & Company in June 2020 as the Vice President of the Private Equity Practice in the Asia Pacific region.

SENIOR MANAGEMENT

Mr. Yip Chun Wai ("Mr. Yip"), aged 58, is our chief financial officer and a director of Senhao Shanghai. Mr. Yip joined our Group in December 2015. He is primarily responsible for the overall financial planning and management, as well as developing and maintaining relationship with banks in Hong Kong and the PRC.

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

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

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the GEM Listing Rules. During the year ended 31 December 2024, the Company has complied with the applicable code provisions of the CG Code.

OUR CULTURE

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

BOARD OF DIRECTORS

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

Board Composition

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

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

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

Independent Non-executive Directors
Mr. Won Chik Kee
Mr. Wai Yau Hang
Ms. Sit Ting Fong

The details of Directors are set out in the section headed "Directors and Senior Management" on pages 10 to 12 of this Annual Report.

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

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

Number of Meetings and Directors' Attendance

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

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

Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. Yau Frederick Heng Chung	5/5	3/3	—	—
Mr. Lee Tat Fai Brian	5/5	—	—	—
Non-executive Directors:				
Mr. Yau Sonny Tai Nin	5/5	—	—	—
Mr. Yau Tai Leung Sammy	5/5	—	—	—
Independent Non-executive Directors:				
Mr. Won Chik Kee	5/5	3/3	1/1	1/1
Mr. Wai Yau Hang (appointed on 1 September 2024)	1/1	1/1	N/A	N/A
Ms. Sit Ting Fong	5/5	3/3	1/1	1/1
Mr. Feng Dai (resigned on 1 September 2024)	1/4	1/2	0/1	0/1

Except Mr. Feng Dai (resigned on 1 September 2024), all Directors attended the 2024 Annual General Meeting of the Company held on 20 June 2024.

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

Practice and Conduct of Meetings

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

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

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

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

Appointment, Re-election of Directors and Removal of Directors

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

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

The other two independent Non-executive Directors have entered into a letter of appointment for a term of 2 years with the Company commencing from 31 January 2019 and 1 September 2024 respectively, and unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

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

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Independent Non-executive Directors

Mr. Won Chik Kee was appointed as the independent non-executive Directors with effect from 15 December 2017. Ms. Sit Ting Fong was appointed as the independent non-executive Directors with effect from 31 January 2019. Mr. Wai Yau Hang was appointed as the independent non-executive Directors with effect from 1 September 2024.

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

Board Independence

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

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

BOARD COMMITTEE

Audit Committee

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

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

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2024.

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

During the year ended 31 December 2024, the Audit Committee held three meetings to review the interim financial results announcement and report of the Group for the six months ended 30 June 2024; the audit plan for the year ended 31 December 2024, and the annual financial results announcement and report of the Group for the year ended 31 December 2023, as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Group's internal audit.

Details of the number of Audit Committee meetings held and Directors' attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 14 in this Annual Report.

Remuneration Committee

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

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

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

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

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 14 in this Annual Report.

Remuneration Policy

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

Nomination Committee

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

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

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

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

Details of the number of Nomination Committee meeting held and Directors' attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 14 in this Annual Report.

Nomination Policy

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

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

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2024, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

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

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

The reporting responsibilities of the Company's auditor, Grant Thornton Hong Kong Limited, are set out in the Independent Auditor's Report on pages 63 to 67 of this Annual Report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the remuneration paid or payable to the Company's auditor was as follows:

Services rendered	HK$'000
Audit service for the year ended 31 December 2024	800

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

The Directors has reviewed the Group's corporate governance policies and compliance with the Corporate Governance Code for the year ended 31 December 2024 and complied with the "comply or explain" principle in our corporate governance report.

Non-competition Undertaking

The independent non-executive Directors have reviewed the confirmation given by Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited, the controlling shareholders (the "**Controlling Shareholders**") of the Company, pursuant to which each of Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited has confirmed that, for the year ended 31 December 2024, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition undertaking dated 15 December 2017 as disclosed in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**").

BOARD DIVERSITY POLICY AND WORKFORCE

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

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

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Diversity Policy and discussed the above measurable objectives and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

The Board currently has one female Director out of seven Directors with about 14% female representation sitting on the Board and is committed to improving gender diversity, if necessary, and as and when suitable candidates are identified. The Company is of the view that gender diversity in respect of the Board has been achieved. As at 31 December 2024, 29 out of 38 employees (including senior management) of the Group, with about 74% are female. Accordingly, the Company considers that gender diversity is also achieved in its workforce as well.

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

WHISTLEBLOWING POLICY

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

The policies of Anti-corruption are contained in the section headed "Anti-corruption" on page 41 in this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2024 and up to the date of this Annual Report.

SHAREHOLDERS RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

1 One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

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

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

Procedures for Raising Enquiries

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

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

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

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

During the year under review, an annual general meeting of the Company was held on 20 June 2024 at which all the Directors attended either by person or by means of electronic facilities to communicate with the shareholders of the Company. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the shareholders communication policy is effective during the year ended under review.

Constitutional Documents

During the year, there were no changes in the constitutional documents of the Company.

General Meetings with Shareholders

The Company's AGM will be held on 17 June 2025.

Investor Relations

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

COMPANY SECRETARY

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

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

During the year ended 31 December 2024, the Company Secretary confirmed that she had taken no less than 15 hours of relevant professional training.

ABOUT THE REPORT

The Group is pleased to publish the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") for the reporting period from 1 January 2024 to 31 December 2024 (the "**Year**"). The ESG Report summarises the efforts and achievements made by the Group in corporate social responsibility and sustainable development.

Scope of the Report

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

Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix C2 to the GEM Listing Rules published by the Stock Exchange.

Reporting Principles

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

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

Information and Feedback

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

ESG GOVERNANCE

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

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

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

STAKEHOLDER ENGAGEMENT

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

Communication with Stakeholders

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

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

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

Materiality Assessment

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

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

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

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

Environmental, Social and Governance Report *(Continued)*

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

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

Material Topics	Corresponding Sections
1. Environmental Compliance	• Protection to the Environment
4. Waste Management	• Protection to the Environment
11. Employees' Remuneration and Benefits	• Cares on Employees
17. Operational Compliance	• Operating Practices
18. Managing Environmental Risks of Supply Chain	• Operating Practices
19. Managing Social Risks of Supply Chain	• Operating Practices
20. Quality Management	• Operating Practices
26. Customer Privacy Protection	• Operating Practices
27. Anti-corruption	• Operating Practices

PROTECTION TO THE ENVIRONMENT

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

Emissions

Since the Group's business operation focuses on the development and designs of products, we engage manufacturers to produce our products and involve neither in any production process nor the use of packaging material. Due to our business nature, we do not generate any industrial wastewater or industrial exhaust gas directly. Our wastewater is mainly domestic sewage which is discharged to the municipal drainage system, while our major exhaust emissions comes from our vehicles. Considering the insignificant air emissions generated by our sole vehicle, it is immaterial for the Group to set an air emissions target. Nevertheless, we check and inflate tires to maintain proper tire pressure regularly, and provide drivers with low-carbon driving training, so as to reduce the exhaust emissions and maintain the efficiency of the vehicle.

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

Emissions from Vehicles *(Note i)*	**2024**	2023
Nitrogen oxides (kg)	**0.78**	0.71
Sulphur oxides (kg)	**0.03**	0.03
Particulates (kg)	**0.06**	0.05

Note:

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

The non-hazardous waste generated by the Group, such as general waste in office, is collected and processed by the local environmental hygiene department for further handling. We will also reuse envelopes, binders, file cards, and other stationery supplies. When there is hazardous waste generated, such as waste ink cartridge and electronic waste, it will be collected separately and handled properly. Our major source of hazardous waste is from dry batteries which are used to support our daily office operation. By upholding the "Reduce, Reuse, Replace and Recycle" principle, the Group collects and recycles all used batteries. During the Year, the non-hazardous waste and hazardous waste remained at a stable level. We target to maintain the generation hazardous and non-hazardous waste at the minimal level.

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

Wastes	**2024**	2023
Total hazardous waste generated (kg) *(Note i)*	**1.2**	1
Hazardous waste generated per square metre (kg/m^2)	**0.003**	0.003
Total non-hazardous waste generated (tonnes) *(Note ii)*	**11.9**	12
Non-hazardous waste generated per square metre (tonnes/m^2)	**0.03**	0.03

Notes:

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

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

Resources Conservation

Bearing the responsibility to protect the environment, we strive to become an environmentally friendly corporate. We have set an energy reduction target, using 2023 purchased electricity as a baseline, and plan to reduce 10% purchased electricity consumption by 2030. To reduce energy consumption, we maximise the use of natural light, divide the office area into different light zones by using independent lighting switches and minimise unnecessary lighting fixtures. Energy-efficient electrical appliances are installed with regular cleansing of lighting fixtures and filters of air-conditioners to maintain the efficiency of lighting and air-conditioning systems. Other measures are also employed to enhance the energy efficiency of air-conditioning system, such as avoiding the positioning of air-conditioners with direct sunlight exposure, applying anti-ultraviolet films on windows, placing sealing strips on doors and windows, as well as carrying out regular leakage checks. In 2024, we moved to a new office and use central air conditioning, which further reduces our electricity consumption. In addition, regular monitoring on the energy consumption is carried out and appropriate follow-up will be taken if abnormal usage is found.

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

Details of energy consumption of Senhao Shanghai were as follows:

Energy Consumption	**2024**	2023
Total energy consumption (MWh)	**45**	63
Energy consumption per square metre (MWh/m^2)	**0.11**	0.15
Purchased electricity (MWh)	**27**	47
Fuel consumption of vehicles (MWh) *(Note i)*	**18**	16

Note:

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

The Group is dedicated to raising employees' awareness on water conservation, thus water saving reminders such as turning off the faucet tightly are put up in the pantry. We save water by using dual-flush toilets with infrared-sensitive faucets and urinals and cooperate with the property management company for conducting regular water consumption monitoring and water pipe leakage tests. For any dripping tap spotted, we will request the property management company to fix it promptly to prevent water wastage. We move to a new office this year and doesn't have private water supply. The Group does not have access to the actual water consumption, therefore it is not applicable for the Group to set a water reduction target.

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

Water Consumption	**2024 *(Note i)***	2023
Total water consumption (m^3)	**0**	157
Water consumption per square metre (m^3/m^2)	**0**	0.37

Note:

(i) In 2024, after moving to a newly leased office building, we did not pay for water, and due to the building's water-supply and metering setup, it was impossible to disassemble and estimate the water consumption.

Green Operation

As a socially responsible corporation, the Group is committed to advocating green operations. In addition to growing plants in the office area, recycling bins are also in place for the collection of recyclable materials, such as waste paper, metals and plastics. The consumption amount of materials is evaluated before the procurement of office equipment, so as to avoid overstock. During the procurement stage, suppliers who obtained the certificate of Environmental management system or with environmentally friendly products are prioritized.

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

In pursuit of paperless office, the Group disseminates information through electronic communication channels to reduce paper consumption and the use of ink. Also, duplex and economy mode is set to be the default setting of all computers and printers, and reminders are placed next to printers to remind employees to use paper on both sides and to print double-sided. All discarded papers, except those printed with confidential information, are recycled by waste paper recycling companies. The removal of greenhouse gas emissions from recycling paper by Senhao Shanghai in the Year amounted to 26.3kg CO2e. Moreover, we monitor paper consumption and printing volume regularly with a print quota set for users when necessary.

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

Greenhouse gas emissions of Senhao Shanghai were as follows:

Greenhouse Gases	2024	2023
Total greenhouse gas emissions (tonnes CO_2e)	**32**	42
Greenhouse gas emissions per square metre (tonnes CO_2e/m^2)	**0.07**	0.10
Scope 1 — direct emissions (tonnes CO_2e) *(Note i)*	**4**	3
Scope 2 — energy indirect emissions (tonnes CO_2e) *(Note ii)*	**16**	33
Scope 3 — other indirect emissions (tonnes CO_2e) *(Note iii)*	**12**	5

Notes:

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

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

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

Climate Change

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

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

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

CARES ON EMPLOYEES

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

Health and Safety

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

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

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

Health and Safety	**2024**	2023	2022
Number of work-related fatalities	**0**	0	0
Rate of work-related fatalities (%)	**0**	0	0

Employment and Welfare

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

As at 31 December 2024, the Group had 38 employees, who are all full-time employees, in Hong Kong and the PRC. The number of employees and turnover rate categorised by age group, gender and geographic region were as follows:

Employment	**Number of Employees**		**Turnover Rate**	
	2024	2023	**2024**	2023
Total	**38**	49	**25%**	21%
By Age Group				
Below 30 years old	**1**	5	**200%**	100%
Between 30 to 50 years old	**32**	42	**27%**	9%
Over 50 years old	**5**	2	**0%**	0%
By Gender				
Female	**29**	38	**29%**	23%
Male	**9**	11	**27%**	0%
By Geographical Region				
Hong Kong	**3**	3	**0%**	0%
PRC	**35**	46	**29%**	23%

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

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

Training and Development

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

During the Year, we did not hold any staff training activities.

OPERATING PRACTICES

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

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

Supply Chain Management

The Group strategically focuses its resources on the design and development of products, promotion of the brands and management of sales network. Having considered the capital investment needed in establishing and operating a factory for manufacturing products, we decided to engage suppliers as our products' manufacturers. Suppliers are generally responsible for procurement of raw materials for the manufacture of our products. We have implemented internal measures and a scoring mechanism to regulate the selection and evaluation of suppliers. The performance of suppliers is assessed in terms of on-time delivery rate, on-quantity rate, repair rate and return rate. Successive failures will result in the termination of cooperation.

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

Distribution of Suppliers	**2024**	2023
Total	**10**	18
By Geographical Region		
South China	**10**	18

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

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

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

Quality Assurance

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

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

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

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

After Sales Services

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

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

During the Year, about 8,902 after-sale service orders were received, which were repairable orders and the goods were returned to the warehouse for repair and secondary sale. While the remaining 5 cases were unrepairable due to man-made loss or natural loss. If there is any product defect issues within the product warranty period, which is six months after the delivery of products by manufacturers to us, we would arrange the return of products to the manufacturers.

Observation of Intellectual Property Rights

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

Protection of Data and Privacy

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

Anti-corruption

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

CONTRIBUTION TO COMMUNITY

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

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Directors' Report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2024.

CORPORATE REORGANISATION

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

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of design, promote and sell women's handbags, small leather goods and travel goods in the PRC. Details of the principal activities and other particulars of the subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Management's Discussion and Analysis" set out on pages 5 to 9 and "Environmental, Social and Governance Report" on page 25 to 47 of this Annual Report. This discussion forms part of this Directors' Report.

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

There is no significant event affecting the Group that has occurred after the year ended 31 December 2024. The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 68 to 137.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2024 (2023: Nil).

DIVIDEND POLICY

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

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

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

(c) any corporate development plans;

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company has RMB Nil reserves available for distribution calculated in accordance with the statutory provisions of the Cayman Islands (2023: nil).

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Social responsibility is an important part of how we do business. We work towards making a positive impact on the welfare of our employees, customers and suppliers. In relation to the environmental, social and governance performance of the Company during the year ended 31 December 2024, please refer to the ESG Report on pages 25 to 47 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Shares were listed on GEM of the Stock Exchange on 16 January 2018. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024 and up to the date of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 138 of this Annual Report.

DIRECTORS OF THE COMPANY

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

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

Mr. Won Chik Kee
Mr. Wai Yau Hang (appointed on 1 September 2024)
Ms. Sit Ting Fong
Mr. Feng Dai (resigned on 1 September 2024)

Pursuant to Article 105 of the Articles, Mr. Yau Sonny Tai Nin and Ms. Sit Ting Fong, will retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election.

Pursuant to Article 109 of the Articles, Mr. Wai Yau Hang will retire from office at the AGM and, being eligible, will offer himself for re-election.

CHANGES IN INFORMATION OF DIRECTORS

The Changes in information of Directors of the Company subsequent to the date of 2023 Annual Report of the Company are set out below:

1. Mr. Feng Dai resigned as an Independent Non-executive Director, chairman of Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company on 1 September 2024.

2. Mr. Wai Yau Hang was appointed as an Independent Non-executive Director, chairman of Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company on 1 September 2024.

DIRECTORS' SERVICE CONTRACTS

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

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

Each of the independent non-executive Directors, being Mr. Won Chik Kee, Ms. Sit Ting Fong, and Mr. Wai Yau Hang has entered into a letter of appointment with the Company on 15 December 2017, 30 January 2019 and 29 August 2024, respectively, for a term of 2 years commencing from 15 December 2017, 30 January 2019 and 1 September 2024, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

On 30 December 2022, a loan of HK$5,000,000 ("**the Principal Loan**") were made from Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy, both are Non-executive Directors, and Mr. Lee Tat Fai Brian, an executive Director to the Company. A voluntary announcement of the Company on the Principal Loan was disclosed on the date. The maturity of Principal Loan is further extended afterward.

On 29 December 2023, a loan of HK$5,000,000 was made from Mr. Yau Frederick Heng Chung, the Executive Director and Chairman of the Company, to the Company. A voluntary announcement of the Company was disclosed on 8 January 2024.

On 30 December 2024, an additional loan of HK$3,000,000 was provided by Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy, the Non-executive Directors, with maturity on 31 December 2026. A voluntary announcement of the Company was disclosed on 24 January 2025.

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Directors confirm that none of the Controlling Shareholders, namely Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Ms. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng BVI, the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the year ended 31 December 2024 and up to the date of Annual Report.

SHARE OPTION SCHEME

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

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the year and there was no share option outstanding as at 31 December 2024.

Summary of terms

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

(i) Purpose of the scheme

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

(ii) Who may join

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

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

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

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

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

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

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

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

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

and, for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

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

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on GEM (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

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

(iv) Maximum entitlement of each participant

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

(v) Time of acceptance and exercise of option

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

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

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

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

(vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the Company's shares (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of the SFO to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

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

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

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

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

Save as disclosed above, as at 31 December 2024, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2024, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), would have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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

Notes:

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

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

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

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

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

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Purchases	**Sales**
The largest supplier	23.5%	–
Five largest suppliers combined	60.5%	–
The largest customer	–	15.1%
Five largest customers combined	–	24.6%

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

SUFFICIENCY OF PUBLIC FLOAT

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

EMOLUMENT POLICY

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

CONNECTED TRANSACTIONS

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

Partially-exempt Connected Transaction

The following transaction constitutes connected transaction, which was exempt from circular and shareholders' approval requirements and was only subject to the reporting and announcement requirements under Rule 20.99 of the GEM Listing Rules.

During the Reporting Period, the connected transaction between the Group and its connected person was as follows:

Disclosable Transaction and Continuing Connected Transaction in Relation to the Sales Framework Agreement

Date: 23 April 2024

Parties and their connected relationship:

i. Senxuan Shangmao (Shanghai) Company Limited, being an indirect wholly-owned subsidiary of the Company

ii. Guangzhou Caige International Trading Company Limited ("**JV Partner**"), being a connected person of the Company at the subsidiary level (as defined under the GEM Listing Rules)

Objective: To streamline the Group business operation and to develop ELLE luggage business with limited resources.

For this purpose, ELLE brand is sub-licensed and the outstanding stock of JV was sold to the JV Partner.

Pricing:

I. Prices are determined by taking into account the quantity and quality of the comparable orders, and with reference to the market prices of the luggage and accessories provided by the Group to independent third party customers; and

II. Agreed fee of sub-licensing of "ELLE" brand charged to JV Partner will be the same as the fee of sub-licensing of "ELLE" brand charged to other independent third party partners.

Annual Caps

	Annual cap from 23 April 2024 to 31 December 2024 RMB'000	**Annual cap for the year ending 31 December 2025 RMB'000**
Amount received by the Group from JV Partner under the Sales Framework Agreement	9,500	9,000

Nature of the connected person's interest in the transaction: As at the date of this arrangement, Sencai Maoyi (Shanghai) Company Limited, being the indirect 51%-owned subsidiary of the Company, is 49% equity interest owned by the JV Partner.

This connected transaction was subject to the reporting and announcement requirements under Rule 20.99 of the GEM Listing Rules, and the Company failed to comply with the relevant rules of Chapter 20 of the GEM Listing Rules timely in connection with the Disposal. The Company has reported the situation to The Stock Exchange of Hong Kong Limited and has taken remedial measures. The Board wishes to clarify that the aforesaid breach of the GEM Listing Rules was inadvertent and unintentional. The Company regrets such inadvertent and unintentional breach of the GEM Listing Rules and reiterates its belief that continuing compliance with the GEM Listing Rules and other applicable regulatory requirements is of utmost importance.

For more information on this transaction, please refer to the Company's announcement dated 24 October 2024 titled "Continuing Connected Transaction — Sales Framework Agreement".

Annual Review of Continuing Connected Transactions

For the period from 23 April 2024 to 31 December 2024, the amount received by the Group from JV Partner under the Sales Framework Agreement was RMB8,831,000. The continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter to the board of directors containing its findings and conclusions in respect of the non-exempt continuing connected transactions under the Sales Framework Agreement mentioned above in accordance with Rule 20.54 of the GEM the Listing Rules. The auditor has confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Company's Board of Directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have exceeded the annual cap as set by the Company.

EXEMPTED CONTINUING CONNECTED TRANSACTION

On 1 January 2019, a tenancy agreement was renewed with Unigrade International Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Lee Sang Investment Company, Limited, and Sling Incorporated Limited (as tenant), in respect of a property situated at Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Hong Kong, for a term of 36 months commencing on 1 January 2019 and ending on 31 December 2021 (both days inclusive) at a monthly rental of HK$26,033. After the office downsizing and negotiation with the landlord, the lease has renewed annually and kept at a monthly rental of HK$5,460. Based on the fixed monthly rent under the tenancy agreement, the annual cap in respect of the annual rental payable by our Group to Unigrade International Limited for the year ended 31 December 2024 will be RMB59,803. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of our Company under Rule 20.74 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Undertaking for the year ended 31 December 2024. The independent non-executive Directors have also reviewed the compliance and enforcement of the non-competition undertakings under the Undertaking by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Undertaking during the year.

PERMITTED INDEMNITY PROVISION

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

CORPORATE GOVERNANCE

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 13 to 24 of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2024 to the date of this Annual Report, save as disclosed in this Annual Report, the Board is not aware of any significant events requiring disclosure that have occurred.

AUDITOR

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

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

Hong Kong
27 March 2025

Grant Thornton
致同

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

OPINION

We have audited the consolidated financial statements of Sling Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 137, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key Audit Matter	How the matter was addressed in our audit
Valuation of inventories	
Refer to significant accounting policies in note 2.8, sources of estimation uncertainty in note 4.1 and note 17 to the consolidated financial statements. As at 31 December 2024, the Group has inventories of approximately RMB11,081,000 net of provision amounting to RMB1,082,000. Inventories are carried at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. We identified valuation of inventories as a key audit matter because the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of changes in market conditions.	Our audit procedures in relation to the assessment of management's estimate of provision for inventories included: • Understanding and evaluating the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing, retail pricing strategy and latest market conditions; • Reviewing and analysing the ageing of inventories; • Checking, on a sample basis, the future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of reporting period; and • Assessing the sufficiency of provision where the estimated net realisable value is lower than the cost. Based on the procedures performed, we consider management's judgement and estimate in assessment of the net realisable value of inventories, to be supported by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2024 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose 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.

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

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

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

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

27 March 2025

Lau Kwong Kei
Practising Certificate No.: P07578

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**84,588**	128,109
Cost of sales		**(44,937)**	(60,622)
Gross profit		**39,651**	67,487
Other revenue and other income	6	**5,647**	3,054
Reversal of impairment losses on trade and other receivables, net		**94**	840
Impairment loss on intangible assets		**(852)**	—
Re-measurement of put option liability	25	**—**	(2,313)
Selling and distribution costs		**(40,390)**	(59,636)
Administrative and other operating expenses		**(13,227)**	(13,563)
Finance costs	7	**(1,473)**	(1,422)
Loss before income tax	8	**(10,550)**	(5,553)
Income tax expenses	9	**(139)**	(1,703)
Loss for the year		**(10,689)**	(7,256)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**138**	164
Total comprehensive loss for the year		**(10,551)**	(7,092)
Loss for the year attributable to:			
Equity holders of the Company		**(10,013)**	(8,249)
Non-controlling interests		**(676)**	993
		(10,689)	(7,256)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(9,875)**	(8,085)
Non-controlling interests		**(676)**	993
		(10,551)	(7,092)
		RMB cents	RMB cents
Loss per share attributable to equity holders of the Company			
Basic and diluted	12	**(1.79)**	(1.47)

The notes on pages 74 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**425**	2,429
Intangible assets	*15*	**1,605**	2,274
Financial asset at fair value through profit or loss ("FVTPL")	*16*	**1,174**	1,109
Deferred tax assets	*26*	**1,244**	1,383
Other receivables	*18*	**583**	—
		5,031	7,195
Current assets			
Inventories	*17*	**11,081**	23,878
Trade and other receivables	*18*	**5,985**	10,175
Amounts due from shareholders	*19a*	**9**	9
Amounts due from a non-controlling shareholder	*19c*	**2,779**	—
Income tax recoverable		**372**	372
Restricted cash	*20*	**1**	—
Cash and bank balances	*20*	**8,168**	7,445
		28,395	41,879
Current liabilities			
Trade and other payables	*21*	**16,484**	18,241
Contract liabilities	*23*	**24**	3,686
Bank borrowings	*24*	**16,767**	18,133
Lease liabilities	*22*	**50**	935
Put option liability	*25*	**—**	2,473
Income tax payable		**217**	202
		33,542	43,670
Net current liabilities		**(5,147)**	(1,791)
Total assets less current liabilities		**(116)**	5,404

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	*22*	–	907
Loans from shareholders	*19b*	**10,572**	7,439
Loan from a director	*19b*	**900**	831
		11,472	9,177
Net liabilities		**(11,588)**	(3,773)
EQUITY			
Share capital	*27*	**4,470**	4,470
Reserves	*28*	**(14,315)**	(7,176)
Capital deficiency to equity holders of the Company		**(9,845)**	(2,706)
Non-controlling interests		**(1,743)**	(1,067)
Capital deficiency		**(11,588)**	(3,773)

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

The notes on pages 74 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to equity holders of the Company										
	Share capital RMB'000 *(note 27)*	Share premium* RMB'000 *(note 28)*	Capital reserve* RMB'000 *(note 28)*	Statutory reserve* RMB'000 *(note 28)*	Put option reserve* RMB'000 *(note 28)*	Other reserves* RMB'000	Translation reserve* RMB'000	Accumulated losses* RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023	4,470	35,026	10,520	1,195	(3,658)	–	2,097	(45,175)	4,475	(2,060)	2,415
Deemed contribution from shareholders *(note 19b)*	–	–	–	–	–	904	–	–	904	–	904
Transactions with owners	–	–	–	–	–	904	–	–	904	–	904
Loss for the year	–	–	–	–	–	–	–	(8,249)	(8,249)	993	(7,256)
Other comprehensive income:											
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	164	–	164	–	164
Total comprehensive loss for the year	–	–	–	–	–	–	164	(8,249)	(8,085)	993	(7,092)
As at 31 December 2023 and 1 January 2024	**4,470**	**35,026**	**10,520**	**1,195**	**(3,658)**	**904**	**2,261**	**(53,424)**	**(2,706)**	**(1,067)**	**(3,773)**
Derecognition of put option liability *(note 25)*	**–**	**–**	**–**	**–**	**3,658**	**–**	**–**	**(1,185)**	**2,473**	**–**	**2,473**
Deemed contribution from shareholders *(note 19b)*	**–**	**–**	**–**	**–**	**–**	**263**	**–**	**–**	**263**	**–**	**263**
Transactions with owners	**–**	**–**	**–**	**–**	**3,658**	**263**	**–**	**(1,185)**	**2,736**	**–**	**2,736**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,013)**	**(10,013)**	**(676)**	**(10,689)**
Other comprehensive income:											
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**138**	**–**	**138**	**–**	**138**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**138**	**(10,013)**	**(9,875)**	**(676)**	**(10,551)**
As at 31 December 2024	**4,470**	**35,026**	**10,520**	**1,195**	**–**	**1,167**	**2,399**	**(64,622)**	**(9,845)**	**(1,743)**	**(11,588)**

* The reserve accounts comprise the Group's deficiency of RMB14,315,000 (2023: deficiency of RMB7,176,000) in the consolidated statement of financial position.

The notes on pages 74 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Loss before income tax		**(10,550)**	(5,553)
Adjustments for:			
Amortisation of intangible assets	*8*	**12**	118
Impairment loss on intangible assets		**852**	—
Depreciation of property, plant and equipment	*8*	**849**	965
Write-down/(Reversal) of inventories to net realisable value	*8*	**274**	(5,518)
Fair value gains on financial asset at FVTPL	*8*	**(31)**	(133)
Re-measurement of put option liability	*25*	**—**	2,313
Reversal of impairment losses on trade and other receivables, net		**(94)**	(840)
Unrealised exchange differences		**777**	439
Gain on early termination for lease	*8*	**(117)**	—
Interest income	*6*	**(19)**	(43)
Interest expenses	*7*	**1,473**	1,422
Operating loss before working capital changes		**(6,574)**	(6,830)
Decrease in inventories		**12,523**	7,221
Decrease/(Increase) in trade and other receivables		**3,707**	(2,854)
Decrease in trade and other payables		**(1,781)**	(1,062)
(Decrease)/Increase in contract liabilities		**(3,662)**	2,186
Decrease in amount due to the then immediate holding company		**—**	(8)
Increase in amount due from a non-controlling shareholder		**(2,779)**	—
Increase in restricted cash		**(1)**	—
Cash generated from/(used in) operations		**1,433**	(1,347)
Interest paid		**(975)**	(1,028)
Tax refunded/(paid)		**15**	(32)
Net cash generated from/(used in) operating activities		**473**	(2,407)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(16)**	(330)
Purchases of intangible assets		**(195)**	—
Interest received	*6*	**10**	43
Net cash used in investing activities		**(201)**	(287)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2024

	Notes	**2024 RMB'000**	2023 RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		**23,391**	26,377
Repayment of bank borrowings		**(25,109)**	(29,482)
Proceeds from loans from shareholders		**2,778**	4,531
Payment of lease liabilities		**(504)**	(879)
Net cash generated from financing activities		**556**	547
Net increase/(decrease) in cash and cash equivalents		**828**	(2,147)
Cash and cash equivalents at the beginning of the year		**7,445**	9,659
Effect of foreign exchange rate changes		**(105)**	(67)
Cash and cash equivalents at the end of the year	*20*	**8,168**	7,445

The notes on pages 74 to 137 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

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

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

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

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

The consolidated financial statements for the year ended 31 December 2024 were approved for issue by the board of directors on 27 March 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern basis

During the year ended 31 December 2024, the Group incurred a net loss of approximately RMB10,689,000 and cash generated from operations of approximately RMB1,433,000. The Group's operations are financed by bank borrowings, loans from related parties and internal resources. As at 31 December 2024, the Group had net current liabilities and capital deficiency of approximately RMB5,147,000 and approximately RMB11,588,000 respectively. The Group's cash and bank balances amounting to approximately RMB8,168,000 as at 31 December 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the end of the reporting period, after taking into consideration of the measures and arrangements that the Group has implemented or is in the process of implementing as detailed below:

(i) During the year ended 31 December 2024, the Group's revenue decreased to approximately RMB84,588,000 due to the change of business strategy starting in April 2024. Instead of distributing luggage and accessories through its indirectly held subsidiary of the Company, the Group sub-licenses ELLE brand to the non-controlling shareholder under their full control and generated stable income flow. Compared to last year, the Group's net loss has been increased to approximately RMB10,689,000 for the year ended 31 December 2024, which is result from the decreasing revenue.

    Management has been continuously implementing measures to improve profitability, control operating costs and reduce capital expenditures in order to improve the Group's performance. These measures include (i) focusing on online marketing; (ii) collaborating with key e-commerce service providers; (iii) seeking suitable partners to explore licensing the brand to other merchandise; and (iv) continuing its measures to control capital and operating expenditures;

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Going concern basis (Continued)

(ii) As at 31 December 2024, the Group has bank borrowings classified as current liabilities of RMB16,767,000 of which RMB11,112,000 are revolving bank loans. The banks have the discretionary rights to demand for immediate repayment. Up to the date of approval of these consolidated financial statements, the banks have shown the positive support on the Group and the Group has not received any demand notice from the banks for the repayment of the borrowing. The Group does not believe that it is probable that the banks will exercise their discretionary rights to demand for immediate repayment;

(iii) The Group is in negotiation with the banks to renew its existing financing facilities upon maturity, or to refinance the financing facilities when necessary. As at 31 December 2024, the Group has unutilised banking facilities with aggregate amount of RMB35,188,000; and

(iv) As at 31 December 2024, the Group has a new loan from shareholders amounting to RMB2,516,000, (the "Loan 2024") (note 19b) to support the operation of the Group. The Loan 2024 is repayable in December 2026, which is twenty-four months after the drawdown date. The shareholders agreed to give the Group the right to extend the maturity date of the Loan 2024 for at least 12 months upon maturity.

The directors of the Company have reviewed the Group's cash flows forecast prepared by management which covers a period of eighteen months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next eighteen months from the end of the reporting period after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from the banks and the lenders.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

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

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in the other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to the profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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

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

2.3 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.10) are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.10.

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Intangible assets

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

Computer software	1–5 years

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

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

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

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.14.

2.6 Financial instruments

Recognition and derecognition

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Debt investments

<u>Financial assets at amortised cost</u>

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments (Continued)

Financial assets at FVTPL

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

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, leases liabilities, trade and other payables, loans from shareholders and a director and put option liability.

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

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

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

Accounting policy of lease liabilities are set out in note 2.10.

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

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

Bank borrowings

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial liabilities (Continued)

Put option liability

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

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

2.7 Impairment of financial assets

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

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Trade receivables

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

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

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial assets is 90 days past due.

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

2.8 Inventories

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

2.9 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (note 2.12). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (note 2.6).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases

Definition of a lease and the Group as a lessee

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

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

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

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

For lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Provisions

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

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

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

2.12 Revenue recognition

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Revenue recognition (Continued)

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

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

Sales of goods — retailers

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

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

Sales of goods — retail

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

Service income

Service income is recognised when the relevant service is rendered.

Interest income

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Government grants

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

Government grants relating to income is presented in gross under other income in the consolidated statement of profit or loss and other comprehensive income.

2.14 Impairment of non-financial assets

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

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment ("LSP") if the eligibility criteria are met. The LSP are defined benefits plans.

(a) Defined contribution plans

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

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

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

(b) Defined benefits plans

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to Hong Kong government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

Retirement benefits (Continued)

(b) Defined benefits plans (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in employee benefits expenses.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits

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

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

2.16 Borrowing costs

All borrowing costs are expensed when incurred.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

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

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

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

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

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

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

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

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

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

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

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

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

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

  (i) the same taxable entity; or

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

2.18 Segment reporting

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and the Group are members of the same group.

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

(iii) the entity and the Group are joint ventures of the same third party.

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS

3.1 Amended HKFRS Accounting Standards that are effective for annual periods beginning on or after 1 January 2024

In the current year, the Group has applied for the first time the following amended HKFRS Accounting Standards issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except for those mentioned below, the adoption of the amended HKFRS Accounting Standards had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" ("2020 Amendments") and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments clarified the classification of debt and other liabilities as current or non-current, depending on whether an entity has a right to defer settlement of the liability for at least twelve months from the end of the reporting period and this right has to be existed at the end of the reporting period. Any expectations about events after the reporting period do not impact the assessment of the classification of the liabilities make at the end of the reporting period as to the classification of the liability.

Covenants of a loan arrangement that an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Covenants that the entity is required to comply with after the reporting date do not affect the classification at the reporting date.

The amendments also define "settlements" of a liability, which includes transfer of entity's own equity instrument. However, if the holder's conversion option in a convertible bond is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current. If the holder's conversion option is classified as liability, such option must be considered for the determination of current/non-current classification of a convertible bond.

The amendments are applied retrospectively.

Based on the Group's outstanding liabilities as at 1 January 2024, the application of amendments did not result in reclassification of the Group's liabilities.

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS (Continued)

3.2 Issued but not yet effective HKFRS Accounting Standards

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

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[2]
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 Effective date not yet determined

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

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures".

HKFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS (Continued)

3.2 Issued but not yet effective HKFRS Accounting Standards (Continued)

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5 (Continued)

- disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.

Besides, narrow-scope amendments have been made to HKAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

HKFRS 18, and the amendments to the other HKFRS Accounting Standards, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are still in the process of assessing the impact of HKFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

Estimation of impairment of trade and other receivables and other financial assets within the scope of ECL under HKFRS 9
The Group makes allowances on items subjects to ECL (including trade and other receivables and other financial assets) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.7.

As at 31 December 2024, the aggregate carrying amounts of trade and other receivables and other financial assets (including amounts due from shareholders and a non-controlling shareholder, restricted cash and cash and bank balances) amounted to RMB4,255,000 (net of ECL allowance of RMB3,003,000) and RMB10,957,000 (net of ECL allowance of RMB38,000) respectively.

As at 31 December 2023, the aggregate carrying amounts of trade and other receivables and other financial assets (including amounts due from shareholders and cash and bank balances) amounted to RMB7,585,000 (net of ECL allowance of RMB3,135,000) and RMB7,454,000 (net of ECL allowance of RMB Nil) respectively.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Impairment of property, plant and equipment and intangible assets

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

Based on assessment of directors of the Company, no impairment for property, plant and equipment (2023: RMB Nil) and impairment loss of intangible assets amounting to RMB852,000 (2023: RMB Nil) was recognised during the year ended 31 December 2024.

Depreciation and amortisation

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

Going concern basis

The appropriateness of the going concern basis is assessed after taking into consideration the relevant available information about future of the Group, including the Group's cash position and cash flows forecast. Details are explained in note 2.1 to the consolidated financial statements. Such assessment inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical accounting judgements

Income taxes

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

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

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

Disaggregation of revenue from contracts with customers

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

	2024 RMB'000	2023 RMB'000
Online retail sales	**79,433**	117,084
Wholesale to online retailers	**4,330**	9,387
Wholesale to offline retailers	**51**	107
Offline retail sales	**774**	1,531
	84,588	128,109

5. REVENUE AND SEGMENT REPORTING (Continued)

5.2 Segment information

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

Geographical information

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

	2024 RMB'000	2023 RMB'000
Revenue from external customers		
The PRC (excluding Hong Kong)	**84,588**	128,109
Specified non-current assets		
The PRC (excluding Hong Kong)	**2,016**	4,699
Hong Kong	**14**	4
	2,030	4,703

Information about major customers

During the year ended 31 December 2024, none of the Group's customers (2023: Nil) contributed more than 10% of the Group's revenue.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2024

6. OTHER REVENUE AND OTHER INCOME

	2024 RMB'000	2023 RMB'000
Other revenue		
Service income	**4,429**	1,867
Bank interest income	**10**	35
Dividend and interest income from financial asset at FVTPL	**9**	8
	4,448	1,910
Other income		
Fair value gain on financial asset at FVTPL	**31**	133
Gain on early termination for lease	**117**	—
Government grants *(note (i))*	**666**	625
Sundry income	**385**	386
	1,199	1,144
	5,647	3,054

Note:

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

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest charges on bank borrowings	**864**	975
Finance charges on lease liabilities	**111**	51
Bank charges	**—**	2
Imputed interest on put option liability	**—**	160
Interest expenses on loans from shareholders and a director	**498**	234
	1,473	1,422

8. LOSS BEFORE INCOME TAX

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

	2024 RMB'000	2023 RMB'000
Auditor's remuneration	**730**	720
Cost of inventories recognised as an expense	**44,592**	60,102
Write-down of/(Reversal of) inventories to net realisable value, net	**274**	(5,518)
Fair value gain on financial asset at FVTPL	**(31)**	(133)
Exchange losses, net	**630**	552
Gain on early termination for lease	**(117)**	—
Amortisation of intangible assets	**12**	118
Depreciation of property, plant and equipment		
— Owned assets	**81**	267
— Right-of-use assets	**768**	698
Total depreciation	**849**	965
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**7,372**	7,726
— Contributions to retirement benefit schemes *(note)*	**1,521**	2,064
Total staff costs	**8,893**	9,790
Operating lease charges on premises		
— Short-term leases	**144**	332

Note: During the years ended 31 December 2024 and 2023 and previous years, there are no forfeited contribution be used to reduce the level of employer's contributions. As at 31 December 2024 and 2023 and previous years, there was no forfeited contribution available to reduce the contributions payable in the future years.

9. INCOME TAX EXPENSES

For the years ended 31 December 2024 and 2023, Hong Kong Profits Tax has not been provided in the consolidated financial statements as no assessable profits subject to Hong Kong Profits Tax.

PRC Enterprise Income Tax (the "PRC EIT") in respect of the Group's operations in the PRC has been calculated at the rate of 25% (2023: 25%) on the estimated assessable profits for the year arising from the PRC.

From 1 January 2023 to 31 December 2024, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB1 million will be subject to an effective rate of 5%.

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

	2024 **RMB'000**	2023 RMB'000
Current tax		
PRC EIT	**—**	—
Deferred tax		
— Debited to the profit or loss *(note 26)*	**139**	1,703
Income tax expenses	**139**	1,703

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

	2024 **RMB'000**	2023 RMB'000
Loss before income tax	**(10,550)**	(5,553)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(1,866)**	(1,368)
Tax effect on:		
— Non-deductible expenses	**947**	2,454
— Non-taxable income	**(76)**	(1,403)
— Recognition of deductible temporary differences previously not recognised	**134**	(6)
— Tax losses not recognised	**1,000**	2,124
— Tax losses utilised	**—**	(98)
Income tax expenses	**139**	1,703

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Year ended 31 December 2024				
Executive directors				
Mr. Fred Yau	—	—	—	—
Mr. Lee Tat Fai Brian *(note a)*	—	523	16	539
Non-executive directors				
Mr. Sammy Yau	—	—	—	—
Mr. Sonny Yau	—	—	—	—
Independent non-executive directors				
Mr. Won Chik Kee	183	—	—	183
Mr. Feng Dai *(note b)*	49	—	—	49
Ms. Sit Ting Fong	137	—	—	137
Mr. Wai Yau Hang *(note c)*	61	—	—	61
	430	523	16	969
Year ended 31 December 2023				
Executive directors				
Mr. Fred Yau	—	—	—	—
Mr. Lee Tat Fai Brian *(note a)*	—	517	16	533
Non-executive directors				
Mr. Sammy Yau	—	—	—	—
Mr. Sonny Yau	—	—	—	—
Independent non-executive directors				
Mr. Won Chik Kee	180	—	—	180
Mr. Feng Dai	65	—	—	65
Ms. Sit Ting Fong	135	—	—	135
	380	517	16	913

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

10.1 Directors' emoluments (Continued)

Notes:

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

(b) Mr. Feng Dai resigned as independent non-executive director of the Company on 1 September 2024.

(c) Mr. Wai Yau Hang is appointed as independent non-executive director of the Company on 1 September 2024.

10.2 Five highest paid individuals

The five highest paid individuals of the Group during the year include three (2023: three) directors whose emoluments are disclosed above. Details of the emoluments in respect of the remaining two (2023: two) highest paid individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**748**	729
Contributions to retirement benefit schemes	**29**	28
	777	757

The above individuals' emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK$Nil to HK$1,000,000	**2**	2

During the year ended 31 December 2024, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2023: Nil). No directors or five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2024 (2023: Nil).

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2024

11. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2024 to its equity holders (2023: Nil).

12. LOSS PER SHARE

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

	2024	2023
Loss		
Loss for the year attributable to equity holders of the Company (in RMB'000)	**10,013**	8,249
Number of shares		
Weighted average number of ordinary shares	**560,000,000**	560,000,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the years ended 31 December 2024 and 2023 represents 560,000,000 ordinary shares in issue throughout the years.

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

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2023						
Cost	2,103	1,251	2	288	1,028	4,672
Accumulated depreciation	(1,888)	(1,138)	(2)	(269)	(561)	(3,858)
Net book amount	215	113	—	19	467	814
Year ended 31 December 2023						
Opening net book amount	215	113	—	19	467	814
Addition	312	12	6	—	2,023	2,353
Modification of lease term	—	—	—	—	227	227
Depreciation	(234)	(30)	(3)	—	(698)	(965)
Closing net book amount	293	95	3	19	2,019	2,429
As at 31 December 2023 and 1 January 2024						
Cost	**1,157**	**1,262**	**9**	**288**	**2,763**	**5,479**
Accumulated depreciation	**(864)**	**(1,167)**	**(6)**	**(269)**	**(744)**	**(3,050)**
Net book amount	**293**	**95**	**3**	**19**	**2,019**	**2,429**
Year ended 31 December 2024						
Opening net book amount	**293**	**95**	**3**	**19**	**2,019**	**2,429**
Addition	**—**	**—**	**16**	**—**	**—**	**16**
Termination of lease	**—**	**—**	**—**	**—**	**(1,171)**	**(1,171)**
Depreciation	**(62)**	**(13)**	**(6)**	**—**	**(768)**	**(849)**
Closing net book amount	**231**	**82**	**13**	**19**	**80**	**425**
As at 31 December 2024						
Cost	**314**	**1,262**	**25**	**288**	**962**	**2,851**
Accumulated depreciation	**(83)**	**(1,180)**	**(12)**	**(269)**	**(882)**	**(2,426)**
Net book amount	**231**	**82**	**13**	**19**	**80**	**425**

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of company	Place/Country of incorporation and operation	Type of legal entity	Particulars of registered/issued and paid up capital	Equity interest held by the Company		Principal activity
				2024	2023	
Directly held by the Company						
Sling Investment Limited ("Sling BVI")	BVI	Limited liability company	HK$10,000	**100%**	100%	Investment holding
Indirectly held by the Company						
Sling Incorporated Limited	Hong Kong	Limited liability company	HK$11,345,279	**100%**	100%	Design, marketing, sourcing and procurement of women's handbags, small leather goods and travel goods
Elite Grand Limited	Hong Kong	Limited liability company	HK$10,000	**100%**	100%	Dormant
Senhao Shangmao (Shanghai) Company Limited# 森浩商貿 (上海) 有限公司	The PRC	Limited liability company, registered as a wholly foreign-owned enterprise under PRC law	US$2,000,000	**100%**	100%	Wholesale and retail of handbags, wallets and luggage
Senxuan Shangmao (Shanghai) Company Limited# 森渲商貿(上海)有限公司 ("Senxuan Shangmao")	The PRC	Limited liability company, registered as a wholly foreign-owned enterprise under PRC law	US$100,000	**100%**	100%	Retail and export of handbags, wallets and luggage
Zhejiang Zimaoqu Senying Shangmao Company Limited# 浙江自貿區森盈商貿有限公司	The PRC	Limited liability company, registered as a wholly foreign-owned enterprise under PRC law	RMB1,000,000	**100%**	100%	Wholesale and retail of handbags, clothes and accessories
Sencai Maoyi (Shanghai) Company Limited# ("Sencai Maoyi") 森彩貿易(上海)有限公司	The PRC	Limited liability company, registered as a domestic joint venture under PRC law	RMB1,000,000	**51%**	51%	Wholesale and retail of luggage, clothes and accessories

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

15. INTANGIBLE ASSETS

	Trademark RMB'000	Computers software RMB'000	Total RMB'000
As at 1 January 2023			
Cost	2,250	1,399	3,649
Accumulated amortisation	—	(1,257)	(1,257)
Net book amount	2,250	142	2,392
Year ended 31 December 2023			
Opening net book amount	2,250	142	2,392
Amortisation	—	(118)	(118)
Closing net book amount	2,250	24	2,274
As at 31 December 2023 and 1 January 2024			
Cost	**2,250**	**1,399**	**3,649**
Accumulated amortisation	**—**	**(1,375)**	**(1,375)**
Net book amount	**2,250**	**24**	**2,274**
Year ended 31 December 2024			
Opening net book amount	**2,250**	**24**	**2,274**
Addition	**—**	**195**	**195**
Amortisation	**—**	**(12)**	**(12)**
Impairment	**(852)**	**—**	**(852)**
Closing net book amount	**1,398**	**207**	**1,605**
As at 31 December 2024			
Cost	**2,250**	**1,594**	**3,844**
Accumulated amortisation	**—**	**(1,387)**	**(1,387)**
Accumulated impairment	**(852)**	**—**	**(852)**
Net book amount	**1,398**	**207**	**1,605**

15. INTANGIBLE ASSETS (Continued)

As at 31 December 2024, the carrying amount of the trademark with indefinite useful lives is RMB2,250,000 (2023: RMB2,250,000). For the purpose of impairment test, the recoverable amount of the trademark is determined based on value-in-use calculations. The key assumptions adopted in the test are zero growth rate in selling prices and gross profit margin (2023: zero growth rate in selling prices and gross profit margin) and based on income approach of cash flow forecast covering a five-year (2023: four-year) period, discounted at the pre-tax discount rate of 4.20% (2023: 6.96%). The management considered the significant decrease in revenue in 2024 and less resources to be allocated to the trademark. Based on the result of the impairment test, the recoverable amount of the trademark was RMB1,398,000 as at 31 December 2024, and impairment loss of RMB852,000 was recognised for the year ended 31 December 2024 (2023: RMB Nil).

16. FINANCIAL ASSET AT FVTPL

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

The financial asset at FVTPL represents the carrying amount of the net cash value of the Policy as at 31 December 2024 which comprised of guaranteed cash value of RMB1,127,000 (2023: RMB1,071,000) together with accumulated annual dividends and its accrued interests of RMB47,000 (2023: RMB38,000).

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

17. INVENTORIES

	2024 RMB'000	2023 RMB'000
Finished goods	**12,163**	24,686
Less: Impairment provision	**(1,082)**	(808)
	11,081	23,878

As at 31 December 2024, the inventories with carrying amounts of RMB378,000 (2023: RMB68,000) were carried at net realisable values.

During the year ended 31 December 2024, the reversal of write-down of inventories to net realisable value amounting to RMB280,000 (2023: HK$5,518,000) due to a number of clearance sales on aged inventories.

18. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**4,431**	7,463
Less: ECL allowance	**(2,963)**	(3,135)
	1,468	4,328
Prepayments and other receivables		
Prepaid expenses	**2,313**	2,590
Rental and other deposits	**1,126**	1,414
Other receivables	**1,701**	1,843
Less: ECL allowance	**(40)**	—
	5,100	5,847
	6,568	10,175
Classified as:		
— Current assets	**5,985**	10,175
— Non-current assets	**583**	—
	6,568	10,175

As at 31 December 2024 and 2023, prepaid expenses mainly comprised of marketing and advertising fee prepaid, online shop expenses prepaid and royalty fee prepaid.

As at 31 December 2024 and 2023, rental and other deposits mainly comprised of the deposits paid to online platforms for services deposits and rental deposits.

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

	2024 RMB'000	2023 RMB'000
0–90 days	**1,324**	4,294
91–180 days	**107**	26
181–365 days	**37**	8
	1,468	4,328

18. TRADE AND OTHER RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
As at 1 January	**3,135**	3,975
ECL recognised during the year	**8**	139
ECL reversed during the year	**(180)**	(979)
	2,963	3,135

The movement in the gross amounts of other receivables is as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2023	2,906	523	–	3,429
Net movement	351	–	–	351
Amounts written off during the year	–	(523)	–	(523)
As at 31 December 2023 and 1 January 2024	**3,257**	**–**	**–**	**3,257**
Net movement	**(430)**	**–**	**–**	**(430)**
Transfer	**(1,000)**	**1,000**	**–**	**–**
As at 31 December 2024	**1,827**	**1,000**	**–**	**2,827**

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

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2023	–	523	–	523
Amounts written off during the year	–	(523)	–	(523)
As at 31 December 2023 and 1 January 2024	**–**	**–**	**–**	**–**
ECL allowance during the year	**–**	**40**	**–**	**40**
As at 31 December 2024	**–**	**40**	**–**	**40**

19. AMOUNTS DUE FROM SHAREHOLDERS/A NON-CONTROLLING SHAREHOLDERS/LOANS FROM SHAREHOLDERS/A DIRECTOR

(a) Amounts due from shareholders

	2024 RMB'000	2023 RMB'000
Yen Sheng BVI	6	6
Summit Time Resources Limited	3	3
	9	9

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

(b) Loans from shareholders/a director

	2024 RMB'000	2023 RMB'000
Shareholders		
Mr. Sammy Yau *(note a)*		
— Loan 2022	1,800	1,662
— Loan 2024	1,258	—
Mr. Sonny Yau *(note a)*		
— Loan 2022	1,800	1,662
— Loan 2024	1,258	—
Mr. Fred Yau *(note c)*		
— Loan 2023	4,456	4,115
	10,572	7,439
A director		
Mr. Lee Tat Fai Brian *(note b)*		
— Loan 2022	900	831

Notes:

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

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

(c) Mr. Fred Yau is an executive director, chairman and controlling shareholder of the Company.

19. AMOUNTS DUE FROM SHAREHOLDERS/A NON-CONTROLLING SHAREHOLDERS/LOANS FROM SHAREHOLDERS/A DIRECTOR (Continued)

(b) Loans from shareholders/a director (Continued)

As at 31 December 2024, the Loan 2022, Loan 2023 and Loan 2024 amounting of RMB4,500,000, RMB4,456,000 and RMB2,516,000 respectively are non-trade in nature, unsecured, interest-bearing at 1% per annum and repayable in December 2025 and December 2026 respectively, which was twenty-four months after drawdown date.

As at 31 December 2023, the Loan 2022 and Loan 2023 amounting of RMB4,155,000 and RMB4,115,000 respectively are non-trade in nature, unsecured, interest-bearing at 1% per annum and repayable in December 2025, which was twenty-four months after drawdown date.

During the year ended 31 December 2024, the Group has a new Loan 2024 from shareholders amounting to RMB2,516,000 and is repayable in December 2026, which is twenty-four months after the drawdown date. The shareholders agreed to give the Group the right to extend the maturity date of the Loan 2024 for at least 12 months upon maturity. The Loan 2024 is carried at amortised cost using the effective interest method. The effective interest rate applied is 6.15% per annum. The difference of principal and the fair value of the Loan 2024 at initial recognition amounting to approximately RMB263,000 is credited as deemed contribution from shareholders in equity.

During the year ended 31 December 2024, the term in Loan 2022 and Loan 2023 are revised in loan agreements that the shareholders and a director agreed to give the Group the right to extend the maturity data of the Loan 2022 and Loan 2023 for at least 12 months upon maturity.

During the year ended 31 December 2023, the Loan 2022 is extended at the same terms by both parties to twenty-four months and repayable in December 2025. The Loan 2022 and the Loan 2023 are carried at amortised cost using the effective interest method. The effective interest rate applied are 5.98% per annum. The difference of the principal and the fair value of the Loan 2022 and the Loan 2023 at initial recognition amounting to approximately RMB904,000 and RMB122,000 are credited as deemed contribution from shareholders in equity and deemed employment benefits in profit or loss is included in administrative and other operating expenses respectively.

(c) Amount due from a non-controlling shareholder

	2024 **RMB'000**	2023 RMB'000
Guangzhou Caige International Trading Company Limited ("Guangzhou Caige")	**2,817**	—
Less: ECL allowance	**(38)**	—
	2,779	—

Amount due is unsecured, interest-free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**8,169**	7,445
Less: Restricted cash	**(1)**	—
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	**8,168**	7,445

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

Included in cash and cash equivalents of the Group of approximately RMB4,250,000 (2023: RMB2,394,000) as at 31 December 2024 are the balances denominated in RMB placed with banks and financial institutions in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**9,432**	12,206
Accrued charges and other payables		
Accrued expenses	**5,712**	4,585
Deposits received	**589**	651
Other tax payables	**728**	764
Other payables	**23**	35
	7,052	6,035
	16,484	18,241

As at 31 December 2024 and 2023, accrued expenses mainly represents accrued commission, accrued management fee, accrued legal and professional fee and accrued courier fee.

21. TRADE AND OTHER PAYABLES (Continued)

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2023: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables is as follows:

	2024 RMB'000	2023 RMB'000
0–90 days	**8,967**	11,815
91–180 days	**—**	116
181–365 days	**—**	—
Over 365 days	**465**	275
	9,432	12,206

22. LEASE LIABILITIES

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

	2024 RMB'000	2023 RMB'000
Total minimum lease payments:		
— due within one year	**50**	1,123
— due in second to fifth years	**—**	1,031
	50	2,154
Less: future finance charge	**—**	(312)
Present value of lease liabilities	**50**	1,842
Present value of lease liabilities:		
— due within one year	**50**	935
— due in second to fifth years	**—**	907
	50	1,842
Less: Portion due within one year included under current liabilities	**(50)**	(935)
Portion due after one year included under non-current liabilities	**—**	907

22. LEASE LIABILITIES (Continued)

As at 31 December 2024, lease liabilities amounting to RMB50,000 (2023: RMB1,842,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2024, the total cash outflows for the leases are RMB759,000 (2023: RMB1,262,000).

As at 31 December 2024, the Group has not entered into new lease (2023: one lease for office and warehouse) (2023: 1.2 years and 3.0 years). These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

During the year ended 31 December 2024, the Group has early terminated two leases of office and warehouse (2023: RMB Nil) but the Group has no renewed office (2023: one office) for a total of RMB Nil (2023: RMB227,000).

23. CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Contract liabilities arising from receiving deposits of trading orders	**24**	3,686

Contract liabilities outstanding at the beginning of the year amounting to RMB3,686,000 (2023: RMB1,500,000) have been recognised as revenue during the year.

The decrease of contract liabilities as at 31 December 2024 is mainly due to no trading business is performed in a subsidiary of the Company. The significant increase of contract liabilities as at 31 December 2023 is mainly due to the increase in trading orders during the reporting period.

24. BANK BORROWINGS

As 31 December 2024 and 2023, the Group's bank borrowings were repayable as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount repayable *(note)*		
Within one year	**13,940**	14,555
In the second year	**853**	802
In the third to fifth year	**1,974**	2,536
After the fifth year	**—**	240
Total carrying amount	**16,767**	18,133
Less:		
— Amount due within one year	**(13,940)**	(14,555)
— Amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(2,827)**	(3,578)
Carrying amount shown under non-current liabilities	**—**	—

Note: The amounts are based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2024, unsecured bank borrowings of RMB13,112,000 (2023: RMB13,781,000) are repayable within one year or on demand. The bank borrowings bear variable interest rate at 1.75% over HIBOR and 3.45% (2023: 1.75% over HIBOR and 3.65%) per annum. The bank borrowings were guaranteed by the Company and it undertakes that Mr. Sammy Yau, Mr. Sonny Yau, both are the non-executive directors of the Company, their family members or their holding companies shall remain as the major shareholders of the Company.

As at 31 December 2024, unsecured bank borrowings of RMB3,655,000 (2023: RMB4,352,000) are repayable within 5 years (2023: more than five years) or on demand and bear variable interest rate at 3% to 3.625% (2023: 2.5%) below the Hong Kong Dollars Prime Rate per annum. The bank borrowings were guaranteed by the personal guarantees given by Mr. Sammy Yau and Mr. Sonny Yau, the non-executive directors of the Company and HKMC Insurance Limited.

25. PUT OPTION LIABILITY

	2024	2023
	RMB'000	RMB'000
Sencai Maoyi		
As at 1 January	**2,473**	—
Imputed interest	**—**	160
Re-measurement	**—**	2,313
Derecognition	**(2,473)**	—
As at 31 December	**—**	2,473

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

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

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the Group's equity since the risks and rewards have not been transferred to the Group until the option is exercised.

As a result of change of co-operation, on 23 April 2024, Senxuan Shangmao and Guangzhou Caige entered into a new shareholder agreement (the "2024 Shareholder Agreement") to replace the 2019 Shareholder Agreement in its entirety. The put option was terminated under the 2024 Shareholder Agreement. Accordingly, the Group derecognised the put option during the year ended 31 December 2024.

As at 31 December 2023, the increase in put option liability compared to 31 December 2022 was due to the Group's has consideration of the improved performance in Sencai Maoyi based on the latest situation of business operation.

26. DEFERRED TAX

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

	Provisions RMB'000
As at 1 January 2023	3,086
Recognised in the profit or loss *(note 9)*	(1,703)
As at 31 December 2023 and 1 January 2024	**1,383**
Recognised in the profit or loss *(note 9)*	**(139)**
As at 31 December 2024	**1,244**

As at 31 December 2024, the Group has estimated tax losses arising in the PRC of approximately RMB64,016,000 (2023: RMB60,016,000) and the tax loss not recognised is approximately RMB16,004,000 (2023: RMB15,004,000) that will expire five years after the relevant accounting year end for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2024, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB5,273,000 (2023: RMB5,436,000). Deferred income tax liabilities have not been recognised amounting to approximately RMB264,000 (2023: RMB272,000) in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries.

27. SHARE CAPITAL

	2024		2023	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each as at 1 January and 31 December	**1,110,000,000**	**9,243**	1,110,000,000	9,243
Issued and fully paid:				
Ordinary share of HK$0.01 as at 1 January and 31 December	**560,000,000**	**4,470**	560,000,000	4,470

28. RESERVES

The amounts of the Group's reserves and the movements during the years ended 31 December 2024 and 2023 are presented in the consolidated statement of changes in equity.

Share premium

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

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

Capital reserve

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

Statutory reserve

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

Put option reserve

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

During the year ended 31 December 2024, the put option liabilities was lapsed and derecognised (note 25).

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2024 RMB'000**	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a subsidiary	*14*	**9**	9
Current assets			
Prepayments		**252**	242
Amounts due from subsidiaries		**—**	2,560
Amounts due from shareholders	*19a*	**9**	9
Bank balances		**2,802**	4,561
		3,063	7,372
Current liabilities			
Accrual and other payables		**940**	878
Amounts due to subsidiaries		**300**	300
		1,240	1,178
Net current assets		**1,823**	6,194
Total assets less current liabilities		**1,832**	6,203
Non-current liabilities			
Loans from shareholders	*19b*	**10,572**	7,439
Loan from a director	*19b*	**900**	831
		11,472	8,270
Net liabilities		**(9,640)**	(2,067)
EQUITY			
Share capital	*27*	**4,470**	4,470
Reserves *(note)*		**(14,110)**	(6,537)
Capital deficiency		**(9,640)**	(2,067)

Approved and authorised for issue by the board of directors on 27 March 2025.

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

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

Note:

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

	Share capital RMB'000 *(note 27)*	Share premium RMB'000 *(note 28)*	Other reserves RMB'000 *(note 19b)*	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at 1 January 2023	4,470	35,026	—	5,069	(43,465)	1,100
Deemed contribution from shareholders *(note 19b)*	—	—	904	—	—	904
Transactions with owners	—	—	904	—	—	904
Loss for the year	—	—	—	—	(4,591)	(4,591)
Other comprehensive income:						
Exchange differences on translation of financial statements	—	—	—	520	—	520
Total comprehensive loss for the year	—	—	—	520	(4,591)	(4,071)
As at 31 December 2023 and 1 January 2024	**4,470**	**35,026**	**904**	**5,589**	**(48,056)**	**(2,067)**
Deemed contribution from shareholders *(note 19b)*	**—**	**—**	**263**	**—**	**—**	**263**
Transactions with owners	**—**	**—**	**263**	**—**	**—**	**263**
Loss for the year	**—**	**—**	**—**	**—**	**(8,599)**	**(8,599)**
Other comprehensive income:						
Exchange differences on translation of financial statements	**—**	**—**	**—**	**763**	**—**	**763**
Total comprehensive loss for the year	**—**	**—**	**—**	**763**	**(8,599)**	**(7,836)**
As at 31 December 2024	**4,470**	**35,026**	**1,167**	**6,352**	**(56,655)**	**(9,640)**

30. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	2024 RMB'000	2023 RMB'000
Rental paid to a related company		
— Unigrade International Limited *(note i)*	**60**	59
Sales of goods to a non-controlling shareholder		
— Guangzhou Caige *(note ii)*	**6,423**	—
Service income from non-controlling shareholder		
— Guangzhou Caige *(note ii)*	**2,408**	—
Interest expenses on loans from:		
Shareholders		
— Mr. Sammy Yau *(note 19(b)(a))*	**100**	93
— Mr. Sonny Yau *(note 19(b)(a))*	**100**	94
— Mr. Fred Yau *(note 19(b)(c))*	**248**	—
A director		
— Mr. Lee Tat Fai Brian *(note 19(b)(b))*	**50**	47
	498	234

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

Note (ii) Guangzhou Caige is a non-controlling shareholder and holding 49% of shares in subsidiary of the Company. This related party transactions constitute continuing connected transactions under the GEM Listing Rules.

The above transactions with related parties were conducted in the Group's normal course of business and reference to the market prices of goods provided by the Group to independent third party customers.

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

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

	2024 RMB'000	2023 RMB'000
Salaries, allowances and other benefits	1,636	1,833
Contributions to retirement benefit schemes	99	189
	1,735	2,022

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Loans from shareholders RMB'000	Loan from a director RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2024	7,439	831	18,133	1,842	28,245
Cash flows:					
— Repayment	—	—	(25,109)	—	(25,109)
— Proceeds	2,778	—	23,391	—	26,169
— Payment for lease liabilities					
— Capital element	—	—	—	(504)	(504)
— Interest element	—	—	—	(111)	(111)
Non-cash:					
— Termination of lease	—	—	—	(1,288)	(1,288)
— Deemed contribution	(263)	—	—	—	(263)
— Unrealised exchange differences	170	19	352	—	541
— Interest expense	448	50	—	111	609
As at 31 December 2024	10,572	900	16,767	50	28,289

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Loans from shareholders RMB'000	Loan from a director RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2023	3,573	893	20,963	471	25,900
Cash flows:					
— Repayment	—	—	(29,482)	—	(29,482)
— Proceeds	4,531	—	26,377	—	30,908
— Payment for lease liabilities					
— Capital element	—	—	—	(879)	(879)
— Interest element	—	—	—	(51)	(51)
Non-cash:					
— Entering into new leases	—	—	—	2,023	2,023
— Lease modification	—	—	—	227	227
— Deemed contribution	(904)	(122)	—	—	(1,026)
— Unrealised exchange differences	52	13	275	—	340
— Interest expense	187	47	—	51	285
As at 31 December 2023	7,439	831	18,133	1,842	28,245

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

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

32.1 Categories of financial assets and liabilities

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

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost:		
— Trade and other receivables	**4,255**	7,585
— Amounts due from shareholders	**9**	9
— Amount due from a non-controlling shareholder	**2,779**	—
— Restricted Cash	**1**	—
— Cash and bank balances	**8,168**	7,445
Financial asset at FVTPL:		
— Investment in a life insurance policy	**1,174**	1,109
	16,386	16,148
Financial liabilities		
Measured at amortised cost:		
— Trade and other payables	**15,733**	17,442
— Bank borrowings	**16,767**	18,133
— Loans from shareholders	**10,572**	7,439
— Loan from a director	**900**	831
— Lease liabilities	**50**	1,842
— Put option liability	**—**	2,473
	44,022	48,160

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

32.2 Foreign currency risk

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

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

	RMB RMB'000	USD RMB'000
As at 31 December 2024		
Cash and cash equivalents	**6**	**296**
As at 31 December 2023		
Cash and cash equivalents	6	242

The following table illustrates the sensitivity of the Group's loss after income tax for the years and equity as at 31 December 2024 and 2023 in regards to an appreciation in the entities within the Group's functional currencies against RMB and US$. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rate.

	Sensitivity rate %	Increase in loss for the year RMB'000	Decrease in equity RMB'000
Year ended 31 December 2024			
RMB	**5%**	**—**	**—**
US$	**5%**	**12**	**12**
Year ended 31 December 2023			
RMB	5%	—	—
US$	5%	10	10

The same percentage depreciation in the entities within the Group's functional currencies against the foreign currencies would have the same magnitude on the Group's loss after income tax for the years and equity as at 31 December 2024 and 2023 but of opposite effect.

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

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

32.3 Interest rate risk

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

The following table illustrates the sensitivity of the Group's loss after income tax for the years and equity as at 31 December 2024 and 2023 to a decrease of 50 basis points in the interest rate, assuming the interest-bearing borrowings outstanding at the reporting year were outstanding for the whole year and all the variables were held constant.

	Decrease in loss for the year RMB'000	Increase in equity RMB'000
Year ended 31 December 2024		
Decrease by 50 basis points	**(89)**	**89**
Year ended 31 December 2023		
Decrease by 50 basis points	(80)	80

An increase in 50 basis points in interest rate of the Group's interest-bearing borrowings would have the same magnitude on the Group's loss after income tax for the years and equity as at 31 December 2024 and 2023 but of opposite effect.

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

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

32.4 Credit risk

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

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2024 and 2023 is the carrying amount as disclosed in note 32.1.

(i) Trade receivables

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4% (2023: 37%) of the total trade receivables was due from the Group's top five individual customers.

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

32.4 Credit risk (Continued)

(i) Trade receivables (Continued)

On the above basis, the ECL for trade receivables as at 31 December 2024 and 2023 was determined as follows:

	Current RMB'000	1–365 days past due RMB'000	More than 365 days past due RMB'000	Total RMB'000
As at 31 December 2024				
ECL rate	**0.1%**	**7.3%**	**100%**	
Gross carrying amount — trade receivables	**1,232**	**255**	**2,944**	**4,431**
Lifetime ECL	**1**	**18**	**2,944**	**2,963**
As at 31 December 2023				
ECL rate	0.7%	31.8%	100%	
Gross carrying amounts — trade receivables	4,024	485	2,954	7,463
Lifetime ECL	26	155	2,954	3,135

(ii) Other financial assets at amortised cost

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

Besides, the management is of the opinion that there is no significant increase in credit risk on these other receivables and amounts due from a non-controlling shareholder since initial recognition as the risk of default is low except one of other receivables after considering the factors as set out in note 2.7 and, thus, ECL recognised is based on 12-month ECL. The credit risk with the one of other receivables has increased significantly since initial recognition when contractual payments are more than 30 days past due. Therefore, the ECL recognised is based on lifetime ECL. As at 31 December 2024, the ECL rate applied for other receivables and amounts due from a non-controlling shareholder are 4% and 1.3% (2023: Nil) respectively.

The Group's ECL movement of other receivables and amounts due from a non-controlling shareholder are disclosed in note 18 and 19(c) respectively.

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

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

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

32.5 Liquidity risk

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2024 and 2023. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within 1 year or on demand RMB'000	Over 1 year but within 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2024				
Trade and other payables	**15,733**	**—**	**15,733**	**15,733**
Bank borrowings	**16,767**	**—**	**16,767**	**16,767**
Loans from shareholders	**—**	**11,271**	**11,271**	**10,572**
Loan from a director	**—**	**954**	**954**	**900**
Lease liabilities	**50**	**—**	**50**	**50**
	32,550	**12,225**	**44,775**	**44,022**
As at 31 December 2023				
Trade and other payables	17,442	—	17,442	17,442
Bank borrowings	18,133	—	18,133	18,133
Loans from shareholders	—	8,356	8,356	7,439
Loan from a director	—	933	933	831
Put option liability	625	—	625	2,473
Lease liabilities	1,123	1,031	2,154	1,842
	37,323	10,320	47,643	48,160

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

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

32.5 Liquidity risk (Continued)

As at 31 December 2024 and 2023, taking into account of the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. Included in the above balances, the directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

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

	Within 1 year or on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2024	**14,129**	**2,968**	**–**	**17,097**	**16,767**
As at 31 December 2023	14,812	3,610	242	18,664	18,133

32.6 Fair value measurements of financial instruments

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

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

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

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

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

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

32.6 Fair value measurements of financial instruments (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	**—**	**1,174**	**—**	**1,174**
As at 31 December 2023				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	—	1,109	—	1,109

During the year ended 31 December 2024, there were no transfers between Level 1, Level 2 and Level 3 (2023: Nil).

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

Management considered the carrying amounts of other financial assets and liabilities of the Group are not materially different from their fair values as at 31 December 2024 and 2023 due to immediate or short term of maturity.

33. CAPITAL MANAGEMENT

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

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

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

	2024 **RMB'000**	2023 RMB'000
Bank borrowings	**16,767**	18,133
Loans from shareholders	**10,572**	7,439
Loan from a director	**900**	831
Less:		
— Cash and bank balances	**(8,168)**	(7,445)
— Restricted cash	**(1)**	—
Net debts	**20,070**	18,958
Capital deficiency	**(11,588)**	(3,773)
Net debt-to-equity ratio	**Not applicable**	Not applicable

Financial Summary

The consolidated results of the Group for the years ended 31 December 2020, 2021, 2022, 2023 and 2024 and the consolidated assets and liabilities of the Group as at 31 December 2020, 2021, 2022, 2023 and 2024 are as follows:

Consolidated results	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Revenue	88,548	135,193	96,070	128,109	**84,588**
Loss before income tax	(17,318)	(11,039)	(17,343)	(5,553)	**(10,550)**
Income tax (expense)/credit	412	928	210	(1,703)	**(139)**
Loss for the year	(16,906)	(10,111)	(17,133)	(7,256)	**(10,689)**
Total comprehensive loss for the year attributable to equity holders of the Company	(17,420)	(9,208)	(14,821)	(8,085)	**(9,875)**

Consolidated assets and liabilities	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Total assets	64,322	59,366	49,344	49,074	**33,426**
Total liabilities	(35,528)	(41,293)	(46,929)	(52,847)	**(45,014)**
Total equity/(Capital deficiency)	28,794	18,073	2,415	(3,773)	**(11,588)**