Hong Kong Entertainment International Holdings Limited
港娛國際控股有限公司

(formerly known as "Wan Cheng Metal Packaging Company Limited 萬成金屬包裝有限公司")
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8291)

2024
ANNUAL REPORT

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

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

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

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This report, for which the directors (the "Directors") of Hong Kong Entertainment International 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 (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects 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

Corporate Information

DIRECTORS

Executive Directors:

Mr. Wang Yun
Mr. Zou Yonggang
Mr. Wang Shuai (Appointed on 17 April 2024)

Independent Non-executive Directors:

Mr. Wong Sui Chi
Mr. Wu Chi King
Ms. Yin Suying (Appointed on 13 September 2024)
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)

AUDIT COMMITTEE

Mr. Wong Sui Chi *(Chairman)*
Mr. Wu Chi King
Ms. Yin Suying (Appointed on 13 September 2024)
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)

REMUNERATION COMMITTEE

Ms. Yin Suying *(Chairlady)*
(Appointed on 17 September 2024)
Mr. Wong Sui Chi
Mr. Wu Chi King
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)
Mr. Wang Yun (Appointed on 13 September 2024 and resigned on 17 September 2024)

NOMINATION COMMITTEE

Mr. Wu Chi King *(Chairman)*
Mr. Wong Sui Chi
Ms. Yin Suying (Appointed on 13 September 2024)
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)

COMPANY SECRETARY

Ms. Tam Mei Chu
(Appointed on 25 January 2024)
Mr. Sham Tsz Leung Desmond
(Appointed on 17 April 2023 and resigned on 25 January 2024)

COMPLIANCE OFFICER

Mr. Wang Yun

AUTHORISED REPRESENTATIVES

Mr. Wang Yun
Ms. Tam Mei Chu
(Appointed on 25 January 2024)
Mr. Sham Tsz Leung Desmond
(Appointed on 17 April 2023 and resigned on 25 January 2024)

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 3 Huada Road
Hi-tech Industrial Development Zone
Ronggui Street, Shunde District
Foshan City, Guangdong Province
The PRC

Corporate Information (Continued)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, V. Heun Building
138 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windard 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Dah Sing Bank Limited
Guangdong Shunde Rural Commercial
Bank Company Limited, Ronggui Branch

AUDITORS

Jon Gepsom CPA Limited (Appointed on 29 January 2024)
Certified Public Accountants
1003-1005, 10/F.
Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

Elite Partners CPA Limited (Resigned on 29 January 2024)
Certified Public Accountants
10/F., 8 Observatory Road
Tsim Sha Tsui
Hong Kong

STOCK CODE

8291

COMPANY'S WEBSITE

www.irasia.com/listco/hk/hkentertainment/

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of Hong Kong Entertainment International Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2024.

Over the years, our outstanding production management expertise and extensive industry experience have differentiated ourselves from other low end manufacturers in China. Whilst the increasing costs in China and sluggish China economy will undoubtedly cause many weaker manufacturers to lose their advantages and finally go out of business, the resulting consolidation of China's manufacturing industry provides a much less crowded marketplace for surviving companies. We possess the management capability to overcome difficulties, and our ability to significantly improve our cash flows, including but not limited to minimise the fixed overhead cost, despite a difficult external environment, i.e. increasing manufacturing costs and cost of raw materials. Although there is continuous negative effect of sluggish China economy, in view of our Group's experienced management team and reputation in the market, we remain optimistic about the Group's prospect.

Lastly, on behalf of the Board and the management of the Group, I would like to express my sincere gratitude to all our staff for their unremitting efforts in 2024 and to all shareholders for their full support. I would also like to express my heartfelt thanks to all shareholders, investors, customers, suppliers and business partners for their valuable support.

On behalf of the Board,
Mr. Wang Yun
Executive Director
Hong Kong, 31 March 2025

Management Discussion and Analysis

BUSINESS ACTIVITIES

The Group is principally engaged in manufacturing and sales of tinplate packaging products and repackaging services in the PRC and Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange on 18 July 2017 (the "Listing Date"). Since the listing of the Company's shares on the GEM of the Stock Exchange, there has been no significant change in the business operations of the Group.

BUSINESS REVIEW AND PROSPECT

During the year ended 31 December 2024, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC and also provision of repackaging services in Hong Kong. The major products were tin cans and steel pails, which are generally used for storing paint and coatings, and other packaging materials, which are generally used for packing consumables.

The Group recorded an increase in revenue by approximately RMB6.0 million, or approximately 12.4%, from approximately RMB48.5 million for the year ended 31 December 2023 to approximately RMB54.5 million for the year ended 31 December 2024, which was contributed by the increase in the sales demands of the Group's repackaging services during the year.

The loss for the year ended 31 December 2024 was approximately RMB7.0 million as compared to loss for the year of approximately RMB27.0 million for the year ended 31 December 2023. Such decrease was mainly due to the decrease in impairment loss of trade and other receivables recognised and decrease in administrative and other expenses as the Group is executing a cost control strategy.

Looking forward, the Group is going to further consolidate its market share in the tinplate packaging business and to continue to expand its products and services portfolio. As part of its strategy to expand its revenue stream, the Group will plan to expand the sales channel in order to focus on the soliciting of new customers for its product and services portfolio. Despite of the uncertainties of sluggish China economy, the Group aim to achieve stable growth and reduce the concentration risk in any single customer group by the expansion of the customer base. Besides, in order to improve the Group's cash flow, the management team aims to adopt cost control strategy which including but not limited to minimise the fixed overhead costs.

With the Group's experienced management team and reputation in the market, the Directors consider the Group to be well-positioned to compete against its competitors and future challenges.

Management Discussion and Analysis (Continued)

DEBTS AND CHARGE ON ASSETS

The Group had secured borrowings of RMB28.0 million (2023: RMB28.0 million) and unsecured borrowings of approximately RMB46.6 million (2023: RMB92.8 million) as at 31 December 2024.

The bank borrowings and other banking facilities are secured/guaranteed by:

(a) Pledge of buildings held by the Group with net carrying amount of approximately RMBNil million (2023: RMB0.9 million) as at 31 December 2024;

(b) Pledge of right-of-use assets by the Group with carrying amount of approximately RMBNil million (2023: RMB1.1 million) as at 31 December 2024;

(c) Pledge of buildings held by a subsidiary owned by former director of a subsidiary of the Company (2023: nil); and

(d) Personal guarantees executed by the former director of a subsidiary of the Company.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2024 are amounted to approximately RMB52.0 million (2023: RMB52.0 million).

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2024, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC and also provision of repackaging services in Hong Kong. The Group generally recognises revenue from the sales of tinplate packaging products upon delivery of the products to the customers with their acceptance of the Group's products and also recognises revenue from the provision of repackaging services upon the completion of services to the customers.

Revenue increased by approximately RMB6.0 million, or approximately 12.4%, from approximately RMB48.5 million for the year ended 31 December 2023 to approximately RMB54.5 million for the year ended 31 December 2024. Such increase was mainly due to the increase in sales demand of the Group's repackaging services during the year.

Cost of sales

Cost of sales mainly comprised the cost of tinplate coil, tinplate processing costs, ancillary materials and consumables, staff costs, depreciation, utilities and repair and maintenance costs. The cost of sales increased by approximately RMB5.6 million, or approximately 11.9% from approximately RMB47.1 million for the year ended 31 December 2023 to approximately RMB52.7 million for the year ended 31 December 2024. Such increase was consistent with increase in revenue.

Gross profit and gross profit margin

Gross profit increased from approximately RMB1.5 million for the year ended 31 December 2023 to approximately RMB1.8 million for the year ended 31 December 2024.

Gross profit margin increased from approximately 3.0% for the year ended 31 December 2023 to 3.3% for the year ended 31 December 2024. The increase was mainly due to the net effect of the increase in the portion of sales from repackaging and sales of products for the year ended 31 December 2024 comparing with that for the year ended 31 December 2023.

Other income and losses, net

Other income and losses, net mainly represents sales of scrap materials, interest income from bank deposits and gains/losses on fair value changes of financial assets at fair value through profit or loss ("FVTPL"), net. The Group record an increase in other losses, net by approximately RMB3.0 million, or approximately 428.6% from losses of approximately RMB0.7 million for the year ended 31 December 2023 to loss of approximately RMB3.7 million for the year ended 31 December 2024. The increase mainly due to the recognition of gains of approximately RMB0.4 million arising from fair value changes of financial assets at FVTPL for the year ended 31 December 2023, while loss of approximately RMB3.8 million has been recognised for the year ended 31 December 2024.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, advertising expenses, entertainment expenses and consumables and the amount was approximately RMB1.4 million and RMB2.0 million for the year ended 31 December 2024 and 2023 respectively. The decrease mainly due to decrease in advertising expenses.

Management Discussion and Analysis (Continued)

Administrative and other expenses

The Group's administrative and other expenses mainly included staff costs, building administrative fees, other tax expenses, depreciation and amortisation, travelling and entertainment, office consumables and supplies, legal and professional fees and other miscellaneous administrative expenses. The Group recorded a decrease in administrative and other expenses by approximately RMB7.0 million, or approximately 50.4%, from approximately RMB13.9 million for the year ended 31 December 2023 to approximately RMB6.9 million for the year ended 31 December 2024. The decrease mainly represent the decrease in depreciation and staff cost as the Group is executing a cost control strategy.

Finance costs

The Group's finance costs mainly comprised of interest expenses on bank borrowings and lease liabilities. The finance costs decreased by approximately RMB1.5 million, or approximately 48.4%, from approximately RMB3.1 million for the year ended 31 December 2023 to approximately RMB1.6 million for the year ended 31 December 2024. Such decrease was mainly due to the decrease in average interest rate of interest-bearing bank borrowings and the average balance of the lease liabilities during the year ended 31 December 2024 as compared to the year ended 31 December 2023.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year ended 31 December 2024 was approximately RMB7.0 million as compared to loss for the year ended 31 December 2023 of approximately RMB27.0 million. Such decrease was mainly due to the decrease in impairment losses recognised on trade and other receivables and decrease in administrative and other expense for the year ended 31 December 2024.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group funded its liquidity primarily through cash inflows from operating activities and debt financing.

As at 31 December 2024, the Group's total cash and cash equivalents were approximately RMB4.1 million (2023: RMB20.3 million). Gearing ratio of the Group increased to 60.0% as at 31 December 2024 from 24.6% as at 31 December 2023. Gearing ratio is defined as total interest-bearing debt over total assets as at the end of the reporting period. Current ratio of the Group decreased to 0.48 as at 31 December 2024 from 0.84 as at 31 December 2023.

Management Discussion and Analysis (Continued)

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that it can meet the funding requirements.

KEY PERFORMANCE INDICATORS ("KPIs") WITH THE STRATEGY OF THE GROUP

An analysis of the Group's performance during the period using KPIs in the section "Financial Review" on pages 8 to 9 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed 75 employees (2023: 92 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution plans) amounted to approximately RMB2.9 million for the year ended 31 December 2024 (2023: RMB3.5 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and the employees' qualifications and performance.

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2024, the Group held 16 listed equity securities in Hong Kong with the fair value of RMB9.5 million. In light of the recent volatile financial market in Hong Kong, the Group intends to diversify its investment portfolio in order to reduce the relevant concentration and investment risks and will closely monitor the performance of this business. The Group will keep adopting a prudent investment attitude and develop its investment strategy with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Details of the Group's top held-for-trading investments, in terms of fair value as at 31 December 2024, are as follows:

Company Name/Stock Code	% of shareholding as at 31 December 2024	Fair value gain/(loss) for the year ended 31 December 2024 *RMB'000*	Fair value as at 31 December 2024 *RMB'000*	% of total assets of the Group as at 31 December 2024
Securities listed in Hong Kong				
Harbour Digital Asset Capital Limited ("HDAC") (913) *(Note (a))*	3.7%	(3,883)	3,711	7.9%
Others *(Note (b))*			5,830	12.5%
			9,541	20.4%

Notes:

(a) HDAC is principally engaged in the investments in listed and unlisted securities. As disclosed in the interim report of HDAC for the six months ended 30 June 2024, it recorded unaudited net loss attributable to its owners of HK$45.9 million for the six months ended 30 June 2024.

(b) The Group's investment strategy is to deliver a diversified and flexible achieve high growth, while the traditional business of the Group will continue its stable growth. The Group's total investment in HDAC was approximately HK$1.4 million. As at 31 December 2024, the Group owned 10,390,000 shares of HDAC, representing 3.7% equity interests in HDAC with a carrying amount of the Group's interest in HDAC of approximately RMB3.7 million, representing approximately 7.9% of the total assets of the Company as at 31 December 2024. Up to 31 December 2024, no dividends was received from HDAC. The fair value of HDAC is based on quoted market prices.

(c) Save as disclosed above, none of these investments represented more than 5% of the total assets of the Group as at 31 December 2024.

Looking ahead, the Directors believe that the future performance of the above investments held by the Group will be volatile and substantially affected by overall economic environment, equity market conditions, investor sentiment and the business performance and development of the investee companies. Accordingly, the Group will continue to maintain a diversified portfolio of investment of various industries to minimise the possible financial risks. Also, the Directors will cautiously assess the performance progress of the investment portfolio from time to time.

Management Discussion and Analysis (Continued)

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2024, the Group did not hedge any exposure to foreign exchange risk.

CAPITAL STRUCTURE

As at 31 December 2024, the Company's issued share capital was HK$32,000,000, equivalent to approximately RMB27,909,000, and the number of its issued ordinary share was 160,000,000 of HK$0.2 each. Except for the changes mentioned elsewhere in this annual report, there has been no change in the capital structure of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other plans for material investments or capital assets as at 31 December 2024.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Yun, aged 46, has over 19 years of management experience in different industries, of which held a managerial position in a sizable manufacturing company in the PRC for 10 years. He is experienced in sales and marketing and quality control management.

Mr. Zou Yonggang, aged 42, has over 12 years of working experience in the manufacturing industry. He was responsible for the overall management and supervision of the manufacturing process including but not limited to implementation of total quality management and cost control strategies.

Mr. Wang Shuai, aged 42, was a core member in the management team of Aliyun Financing and Leasing (Shenzhen) Company Limited*（阿里雲融資租賃（深圳）有限公司）during the period from 2016 to 2021 and he has been a core member in the management team of Rongyao Xingchen (Guangdong) Technology Company Limited*（榮耀星辰（廣東）科技有限公司）since 2021. Mr. Wang graduated from Beijing Dongfang University in 2005 with a Bachelor of Economics. Mr. Wang was an executive director of Rongzun International Holdings Group Limited (formerly known as B & D Strategic Holdings Limited) (stock code: 1780), which is listing in the Main Board of the Stock Exchange, from 8 November 2023 to 10 July 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sui Chi, aged 57, is an independent non-executive Director since February 2017. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. Mr. Wong has over 20 years of finance and accounting experience. He has been serving as an executive director and company secretary of Pacific Legend Group Limited (a company listed on the Stock Exchange (Stock Code: 8547)) since June 2024 and November 2024 respectively. Before redesignation to executive director of Pacific Legend Group Limited (Stock Code: 8547), he was serving as an independent non-executive director of Pacific Legend Group Limited (Stock Code: 8547) from September 2023 to June 2024. He was serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (Stock Code: 8412)) from March 2017 to February 2021. Mr. Wong was an independent non-executive director of Net-A-Go Technology Company Limited (a company listed on the Stock Exchange (Stock Code: 1483)) from November 2013 to October 2016. He was also an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (Stock Code: 1355)) from December 2012 to July 2015. Mr. Wong received a bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in the PRC from The Hong Kong Polytechnic University China Business Centre in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008 and an associate of the Institute of Chartered Accountants in England and Wales since July 2008.

Mr. Wu Chi King, aged 43, received a Bachelor of Computer Science from Monash University and is a certified public accountant of Certified Practising Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong. He has also been serving as an independent non-executive director of Mansion International Holdings Limited (a company listed on the Stock Exchange (Stock Code: 8456)) since June 2021 and Palinda Group Holdings Limited (a company listed on the Stock Exchange (Stock Code: 8179)) since September 2022 and China Energy Storage Technology Development Limited (a company listed on the Stock Exchange (Stock Code: 1143)) since September 2023.

Biographical Details of Directors and Senior Management (Continued)

Ms. Yin Suying, aged 59, graduated from Hunan No. 1 Vocational and Technical College. She is currently employed as an administrative manager in a private company incorporated in the People's Republic of China. She has extensive experience in corporate culture and corporate governance.

SENIOR MANAGEMENT

Mr. He Jieming, aged 54, is the deputy general manager of Foshan City Shunde Wancheng Metal Packaging Company Limited*（佛山市順德區萬成金屬包裝有限公司）("Wancheng Shunde") and responsible for the overall day-to-day administration and management of the Group. Mr. He has over 19 years of experience in the tinplate packaging industry. Mr. He joined the Group in August 1997 as the sales manager of Wancheng Shunde and was promoted to the current position in June 2015.

Ms. Feng Yanqun, aged 56, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has over 14 years of experience in accounting and inventory management. Ms. Feng joined the Group as an accounting officer of Wancheng Shunde in January 2002 and was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

* *The English name is for identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the GEM Listing Rules as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code during the year ended 31 December 2024.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2024.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2024, the Board comprised of three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Mr. Wang Yun
Mr. Zou Yonggang
Mr. Wang Shuai (Appointed on 17 April 2024)

Independent Non-executive Directors
Mr. Wong Sui Chi
Mr. Wu Chi King
Ms. Yin Suying (Appointed on 13 September 2024)
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)

Corporate Governance Report (Continued)

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

Corporate Governance Report (Continued)

BOARD/BOARD COMMITTEE MEETINGS

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join all Board meetings to enhance communication between the Board and management. The Board and each Director will also have separate and independent access to senior management whenever necessary. The company secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully. There were 11 board meetings held during the year ended 31 December 2024.

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial shareholder or Director of the Company arise, the matter will be discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent non-executive Directors with no conflict of interest will be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director concern will declare his/her interest and abstains from voting.

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings, and general meetings during the year ended 31 December 2024 are set out below:

	Meetings attended/Meetings held				
Name of Directors	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	General meetings
Executive Directors					
Mr. Wang Yun	11/11	N/A	N/A	N/A	2/2
Mr. Zou Yonggang	11/11	N/A	N/A	N/A	0/2
Mr. Wang Shuai (Appointed on 17 April 2024)	7/8	N/A	N/A	N/A	1/2
Independent Non-executive Directors					
Mr. Wong Sui Chi	9/11	3/3	2/2	3/3	2/2
Mr. Wu Chi King	9/11	3/3	2/2	3/3	2/2
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)	0/6	0/2	0/1	0/1	0/1
Ms. Yin Suying (Appointed on 13 September 2024)	0/0	0/0	0/0	0/0	0/0

Corporate Governance Report (Continued)

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision A.2.1 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision C.1.4 of the CG Code, all Directors should 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. Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the year ended 31 December 2024, all Directors have participated in continuing professional development by attending training courses organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters. The Directors have confirmed that they have received the trainings as follows:

Name of Directors	Type of trainings
Mr. Wang Yun	A, B
Mr. Zou Yonggang	A, B
Mr. Wang Shuai (Appointed on 17 April 2024)	A, B
Mr. Wong Sui Chi	A, B
Mr. Wu Chi King	A, B
Ms. Yin Suying (Appointed on 17 September 2024)	A, B

A: *attending seminars/conferences/forums*

B: *reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities*

Corporate Governance Report (Continued)

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.wanchengholdings.com. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Company established an audit committee on 14 February 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision D.3 of the CG Code. The duties of the audit committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Group's consolidated financial statements, the annual report and accounts and the half-year report, and significant financial reporting judgments contained therein; and (c) reviewing the financial controls, internal control and risk management systems.

The audit committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Yin Suying and Mr. Wu Chi King. Mr. Wong Sui Chi is the chairman of the audit committee. During the year ended 31 December 2024, 3 meetings were being held for audit committee.

Remuneration Committee

The Company established a remuneration committee on 14 February 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision B.1 of the CG Code. The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration include, among others, making recommendations to the Board on (a) their overall remuneration policy and structure for all of the Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of the non-executive Directors.

The remuneration committee consists of three independent non-executive Directors, namely Ms. Yin Suying, Mr. Wong Sui Chi and Mr. Wu Chi King. Ms. Yin Suying is the chairman of the remuneration committee. During the year ended 31 December 2024, 2 meetings were being held for remuneration committee.

Corporate Governance Report (Continued)

Nomination Committee

The Company established a nomination committee on 14 February 2017 with written terms of reference in compliance with Code Provision B.3 of the CG Code. The duties of the nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment and succession planning for the Directors.

The nomination committee consists of three independent non-executive Directors, namely Mr. Wu Chi King, Mr. Wong Sui Chi and Ms. Yin Suying. Mr. Wu Chi King is the chairman of the nomination committee. During the year ended 31 December 2024, 3 meetings were being held for nomination committee.

Board Diversity

The Board adopted the view of Board diversity approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Group's ability to continue in business.

Accordingly, the Board has prepared the consolidated financial statements of the Group on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and half-yearly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

Corporate Governance Report (Continued)

The responsibility of the Company's auditor, Jon Gepsom CPA Limited, are set out in the section "Independent Auditor's Report" on pages 54 to 58 of this annual report.

For the year ended 31 December 2024, the fees in respect of the audit services provided to the Group by Jon Gepsom CPA Limited, are set out as follows:

Nature of services	For the year ended 31 December 2024 RMB'000
Audit services	554

RISK MANAGEMENT AND INTERNAL CONTROL

The Group recognise the need for risk management and internal control in its strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of the Group's operations or prevent it from achieving its business objectives. Details on risks faced by the Group is set out in the section "Principal Risks and Uncertainties" on pages 46 to 47 of this annual report. All such risks may arise from time to time in connection with the operations of the Group.

The Board and senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management.

The Group have established the following structures and measures to manage its risks:

(i) the Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;

(ii) the senior management monitors daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks;

(iii) the audit committee review the internal control system and procedures for compliance with the requirements of applicable laws, rules and regulations;

Corporate Governance Report (Continued)

(iv) the accounting department frequently monitors and tracks the ageing of the trade receivables to ensure prompt billings and hence encourage prompt settlements. The status of any outstanding/unsettled payments owed to the Group is updated periodically to ensure that timely and necessary steps are taken, including issuing written reminders, telephone calls and legal actions, so as to recover the outstanding trade receivables;

(v) the Directors and senior management regularly attended training sessions regarding the material PRC laws and regulations applicable to the Group's business operations; and

(vi) the Group provide training to its employees in order to enhance their industry knowledge to manage the Group's operational risks.

In addition, the Group would appoint (i) an internal control consultant to provide advice and review the internal control system regarding internal control matters on a regular basis; and (ii) external Hong Kong and PRC legal advisers to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong and PRC laws, rules and regulations from time to time and as required. With the assistance of these external legal advisers, the compliance adviser, internal control consultant, compliance officer and company secretary, the Group aim to maintain effective internal control system and corporate governance measures, as well as ensure that the Group's operations are in compliance with the applicable laws, rules and regulations with respect to the Group business operations in the PRC and Hong Kong.

COMPANY SECRETARY

Ms. Tam Mei Chu is the company secretary of the Group. Ms. Tam is a member of the Hong Kong Institute of Certified Public Accountants.

For the year ended 31 December 2024, Ms. Tam has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Wang Yun, an executive Director, is the compliance officer of the Group. Please refer to his biographical details as set out on page 13 of this annual report.

Corporate Governance Report (Continued)

SUFFICIENCY OF PUBLIC FLOAT

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

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. All general meetings, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for Nominating a New Director

Pursuant to article 111 of the articles of association of the Company ("Articles of Association"), subject to the Articles and the Companies Law of the Cayman Islands, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

Procedures for Convening EGM

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong for the attention of the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, 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 them by the Company.

Procedures for Sending Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Corporate Governance Report (Continued)

Procedures for Putting forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time.

However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.wanchengholdings.com.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there had been no significant change in the Company's constitutional documents. The Memorandum and Articles of Association are available on the websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

ABOUT THE GROUP

Hong Kong Entertainment International Holdings Limited (the “Company” or “Hong Kong Entertainment”, and its subsidiaries collectively, the “Group”, “we”, “us” or “our”) derive its revenue principally from the sale of tinplate packaging semi-finished and finished products in the People’s Republic of China (the “PRC”). The business process involves the procurement of raw materials, such as tinplate coils, tinplate sheets and laminated and printed tinplate sheets; and the manufacturing process includes cutting and assembling. We own and operate a factory located in Foshan, Guangdong Province.

ABOUT THIS REPORT

This Environmental, Social and Governance (“ESG”) Report (the “Report”) aims at providing a detailed account of the Group’s effort, internal policy and contribution towards the Group’s sustainability performance for the year ended 31 December 2024 (the “Reporting Period” or “2024”). The scope mainly includes the factory in Foshan City, Guangdong Province, the People’s Republic of China (the “Foshan Factory”). There is no major change in the reporting scope compared to the previous year.

The preparation and presentation of related information in this ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix C2 to the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The Report has been prepared based on four reporting principles, including materiality, quantitativeness, balance and consistency.

Materiality: The Report shall cover material ESG issues that are sufficiently important and material to different stakeholders and the business operation.

Quantitativeness: The Group presents quantitative environmental and social key performance indicators (“KPIs”) as well as historical data in the report for comparison where applicable. The criteria, methodologies, references and conversion factors used for calculating the KPIs are mainly referred to the ESG Reporting Guide.

Balance: The Report shall provide an unbiased picture of the Group’s performance and avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the readers.

Consistency: The Group adopts consistent methodologies when preparing the Report and the environmental and social KPIs to allow for meaningful comparisons over time. Any changes to the methods used must be specified in the Report.

It is recommended to read this Report in conjunction with the Annual Report 2024 of the Group for the business highlights, financial performance and corporate governance.

ESG GOVERNANCE

The Group has given due consideration to the sustainability aspects of our operations. The Group attaches great importance to our relationship with the stakeholders. We also expect to communicate the progress achieved and plans made for sustainable development to our stakeholders and gather their opinions.

To address the potential ESG risks and grasp the golden opportunities for sustainable development, the Group believes that a stable and efficient governance framework is vital. The board (the “Board”) of directors (the “Directors ”) of the Group assumes the ultimate responsibility for overseeing the ESG affairs of the Group and supervising the execution of the Group’s policies in promoting sound ESG practices. The Board is responsible for reviewing and managing the material ESG issues with the support of management. ESG issues impacting the business operation should be taken into consideration in determining the Group’s business directions and strategies.

Environmental, Social and Governance Report (Continued)

The ESG working group has an overarching role in supporting the Board on matters of ESG and oversees the implementation of the ESG initiatives of the Group. The ESG working group comprises representatives from various departments and has been established to plan and coordinate ESG initiatives within the Group. This ESG working group helps to coordinate the day-to-day execution of our ESG strategy and periodically reports to the Board.

The Group will evaluate whether there is a need of formulating performance targets in environmental and social aspects, which will be reviewed and followed up by the Board. The Group will actively undertake environmental and social responsibilities in pursuing a better environment.

MATERIALITY ASSESSMENT

To better respond to the needs and expectations of stakeholders, the Group has identified the ESG aspects which are "relevant" and "important" to our operations by conducting a materiality assessment. The Group took reference to the ESG Reporting Guide and set possible topics for the assessment. The results show that seven social aspects, including Employment, Health and Safety, Training and Development, Labour Standards, Supply Chain Management, Product Responsibility, and Anti-corruption are material to us. For the environmental aspect, the use of resources is also an important topic to the Group.

Aspects	Material ESG Issues
A. Environmental Aspect	
A2. Use of Resources	• Efficient use of raw materials
B. Social Aspect	
B1. Employment	• Employee welfare • Inclusion and equal opportunities • Talent attraction and retention
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Development and training
B4. Labour Standards	• Prevention of child and forced labour
B5. Supply Chain Management	• Supply chain management
B6. Product Responsibility	• Economic value generated • Protection of intellectual property rights • Protection of customer privacy
B7. Anti-corruption	• Corporate governance • Anti-corruption

The Group will continue to identify areas of improvement for the concerned areas and keep close communication with the stakeholders to advance the Group's ESG management.

Environmental, Social and Governance Report (Continued)

ENVIRONMENTAL ASPECTS

Use of Resources

The Group uses a variety of resources in its operations, including different forms of energy, water, raw materials, etc. The management has established the following policies for the efficient use of resources during production:

- optimize production schedule so as to reduce the energy usage during the manufacturing process;
- minimize the use of raw materials; and
- limit the usage time of lights and air-conditioning systems to reduce electricity consumption.

Energy Use and Efficiency

In 2024, the total energy consumption of the Group was 5,749.16 GJ (2023: 4,030.32 GJ); and the energy consumption intensity was 105.54 GJ per million RMB revenue (2023: 83.02 GJ per million RMB revenue). For direct energy use, diesel and petrol were consumed during the use of company-owned vehicles; whereas for indirect energy use, electricity was consumed in the Foshan Factory.

Since efficient use of resources is one of the material topics identified in the materiality assessment, the Group shall continue to track our energy use performance and further improve our energy efficiency. The Group aims at reducing the energy consumption intensity in our operations by 10% by 2027 against the 2022 baseline.

Direct and/or indirect energy consumption by type	2024	2023	Unit
Direct energy consumption	**95.14**	192.00	GJ
Indirect energy consumption	**5,654.02**	3,838.32	GJ
Total energy consumption	**5,749.16**	4,030.32	GJ
Intensity (by revenue)	**105.54**	83.02	GJ/Million RMB Revenue

Water Use and Efficiency

The total amount of water consumption in the Reporting Period was 21,388 cubic metres ("m^3") (2023: 20,785.0 m^3), and the water consumption intensity was 392.6 m^3 per million RMB revenue (2023: 428.2 m^3 per million RMB revenue). Water is supplied by the municipal water network, and we did not encounter any issues in sourcing water during the Reporting Period. The Group shall continue to monitor our water usage and improve the water efficiency in the production process. The Group has initiated a target of 10% reduction in term of intensity of the water consumption by 2027, compared with the baseline year of 2022.

Environmental, Social and Governance Report (Continued)

Water consumption in total and intensity	2024	2023	Unit
Total water consumption	**21,388**	20,785	m^3
Intensity (by revenue)	**392.6**	428.2	m^3/Million RMB Revenue

Use of Packaging Materials

The Group tries to use minimal amount of packaging materials to pack the products, mainly to ensure the safety of the product during transportation and maintain the product quality. During the Reporting Period, the total amount of packaging materials used, including packaging rope and stretch film, was 52.1 tonnes (2023: 45.3 tonnes); and the intensity of packaging material used was 0.96 tonnes per million RMB revenue (2023: 0.93 tonnes per million RMB revenue).

Packaging material for finished goods	2024	2023	Unit
Total packaging material used	**52.1**	45.3	Tonnes
Intensity (by revenue)	**0.96**	0.93	Tonnes/million RMB revenue

Emissions

The Group is engaged in the manufacturing and sales of various tinplate components and products, including tin cans and steel pails, which are generally used for storing paint and coatings. Throughout the manufacturing process, noise pollution and certain volatile organic compounds ("VOC") are generated when plastic is employed; and a moderate amount of smoke is emitted from welding. The Group has endeavoured to manage and control such emissions.

The majority of the machinery employed in the tinplate handling process are considered as small to medium-sized machines, and air emissions from them are not substantial. Management of the Group considers the emissions from the logistics involved in the delivery of the products as the major source of greenhouse gas (GHG) emissions. Nevertheless, during the manufacturing process, the Group consumes electricity for lighting, equipment and machinery which also produces indirect GHG emissions.

The management considers that the tinplate products feature an environmentally friendly production process due to the lower emission of volatile organic compounds ("VOCs") during the production process compared with water-based paint and coatings (with generally lower emissions of VOCs). Furthermore, Tinplate is environmentally friendly as it is naturally decomposable and therefore brings minimum pollution to the environment; and easily recyclable as it is attracted to the magnet, allowing quick and easy separation from other disposables in the recycling process.

Environmental, Social and Governance Report (Continued)

As a law-abiding corporation, the Group pays close attention to the current and developing laws and regulations that are deemed relevant to the Group. During the Reporting Period, the Group did not have any material non-compliance with applicable environmental laws and regulations, specifically the applicable section of the Environmental Protection Law of the PRC (“《中華人民共和國環境保護法》”), the Environmental Impact Assessment Law of the PRC (“《中華人民共和國環境影響評價法》”), Prevention and Control of Atmospheric Pollution Law of the PRC (“《中華人民共和國大氣污染防治法》”), Urban Drainage and Sewage Treatment Regulations (“《城鎮排水與污水處理條例》”) and the Prevention and Control of Environmental Noise Pollution of the PRC (“《中華人民共和國環境雜訊污染防治法》”).

Air Emissions

The use of diesel and petrol by the Group’s vehicles generates air pollutant emissions, including nitrogen oxides (“NO_X”), sulphur oxides (“SO_X”) and respirable suspended particles (“RSP”). The main emissions of air pollutants are as follows:

Air Emissions	**2024**	2023	**Unit**
Nitrogen Oxides (NO_x)	**89.8**	84.0	Kg
Sulphur Oxides (SO_x)	**4.0**	3.0	Kg
Respirable Suspended Particles (RSP)	**2.9**	2.0	Kg

The Group will continue to improve our data collection and monitoring system to collect emission data of other significant air emissions relevant to our operations.

Greenhouse Gas Emissions

The main sources of the Group’s greenhouse gas emissions are the direct emissions during the use of diesel- and petrol-powered vehicles (Scope 1 emissions) and the energy indirect emissions resulting from the generation of purchased electricity (Scope 2 emissions). In 2024, the total amount of greenhouse gas emissions was 1,117.45 tonnes of carbon dioxide-equivalent (“CO_2-e”) (2023: 804.31 tonnes of CO_2-e); and the greenhouse gas intensity was 20.51 tonnes of CO_2-e per million RMB revenue (2023: 16.57 tonnes of CO_2-e per million RMB revenue). In the Reporting Period, the Group has set a target for the greenhouse gas emissions and the Group aims to achieve a 10% reduction in overall emissions intensity by 2027 as compared to 2022.

The details of the Group’s greenhouse gas emissions in 2024 and 2023 are as follows:

Greenhouse gas emissions	**2024**	2023	**Unit**
Scope 1 emissions	**7.38**	11.23	Tonnes CO_2-e
Scope 2 emissions	**1,036.57**	725.02	Tonnes CO_2-e
Scope 3 emissions	**73.50**	68.06	Tonnes CO_2-e
Total greenhouse gas emissions	**1,117.45**	804.31	Tonnes CO_2-e
Intensity (by Revenue)	**20.51**	16.57	Tonnes CO_2-e/million RMB revenue

Environmental, Social and Governance Report (Continued)

Waste Management

In 2024, the Group produced a total amount of 0.01 tonnes of hazardous waste (2023: 0.03 tonnes) and the intensity of hazardous waste was 0.00018 kg per million RMB revenue (2023: 0.8 kg per million RMB revenue). The hazardous waste included the used oil from machinery and waste activated carbon, which were rectified and incinerated respectively. Hazardous waste was collected and stored in the specified places, and transferred to a qualified processing company for unified handling after reaching a certain amount.

The Group also produced 1.2 tonnes of non-hazardous waste in 2024 (2023: 1.5 tonnes), which included general waste, such as waste towels and gloves, as well as metal barrels, from our manufacturing process. The intensity of non-hazardous waste production in 2024 was 0.022 tonnes per million RMB revenue (2023: 0.041 tonnes per million RMB revenue). The above non-hazardous waste was handled by specialized waste collection and disposal service providers. We aim at reducing non-hazardous waste intensity in our operations by 10% by 2027 against the 2022 baseline.

Waste Management	2024	2023	Unit
Hazardous waste			
Total hazardous waste produced	**0.01**	0.03	tonnes
Intensity (by revenue)	**0.00018**	0.8	kg/million RMB revenue
Non-hazardous waste			
Total non-hazardous waste produced	**1.2**	1.5	tonnes
Intensity (by revenue)	**0.022**	0.041	tonnes/million RMB revenue

The Environment and Natural Resources

The Foshan Factory is strategically located in proximity to the largest customer at Foshan. As the transportation logistics with suppliers, subcontractors, and customers are conducted on the road, the strategic location of the Foshan Factory generally enables us to respond quickly to the customers' requirements and facilitates the expansion of the customer base in Guangdong Province. The proximity between the factory and clients also reduces the emissions of air pollutants and greenhouse gases during transportation.

The Group considered the impact of noise pollution when choosing the site of the factory area and has chosen an operation area which is far away from the residential areas. The Group strictly follows the requirements of the "Emission Standard for Industrial Enterprises Noise at Boundary" ("《工業企業廠界噪聲標準》").

Meanwhile, the Group's objective is to maintain the balance between operational efficiency and resource efficiency. The production of tinplate products has less impact on the environment compared to water-based paint and coatings products. However, to further reduce the environmental impacts and use of natural resources, the Group will continue to look for better alternatives for the use of raw materials that provide similar or higher qualities.

Environmental, Social and Governance Report (Continued)

Climate Change

The Group recognizes that climate change may have potential impacts on our operation. The Board is responsible for identifying the impacts of climate change and launching suitable policies to mitigate climate-related risks. We identified possible climate-related risks and seek opportunities to decarbonise our business. Some examples of climate-related risks are identified below:

Risk	Description
Physical risk – Acute risk	Extreme weather events, such as typhoons and rainstorms, may interrupt production, supply of raw materials and transportation of finished products. The safety of our employees may also be threatened.
Transition risk – Market risk	As climate change becomes a hot topic, customers have greater environmental awareness for the choice of products they purchase, which in turn brings rising demands for greener materials.
Transition risk – Policy and legal risk	The government in the PRC and Hong Kong may tighten the laws and regulations on the environmental aspect. The Group may face stricter regulatory requirements and harsher penalties for non-compliance in terms of production energy consumption and emissions and the disposal of pollutants in addition to exhaust emissions. Extra costs may be incurred.

Environmental, Social and Governance Report (Continued)

SOCIAL ASPECTS

Employment and Labour Practices

Employment

The Group adopts the practices and policies of the Labour Law of the PRC ("《中華人民共和國勞動法》"), Labour Contract Law of PRC ("《中華人民共和國勞動合同法》") and other relevant laws and regulations to ensure an equal and fair working environment. The Group provides equal opportunities for all regardless of their age, gender, race, sexual orientation, disability and marital status.

The Group normally recruits the workforce by posting recruitment advertisements outside the Foshan Factory. The employment terms of our staff are specified in the employment contract, including compensation and dismissal, working hours, rest periods and other benefits and welfare. The staff handbook also highlights important information and policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

The Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees in Hong Kong. In the PRC, the Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, and maternity insurance prescribed by the Social Insurance Law of the PRC ("《中華人民共和國社會保險法》").

Environmental, Social and Governance Report (Continued)

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of employment. As at the end of the Reporting Period, the Group had an aggregate of 75 full-time employees (2023: 92 full-time employees) and the turnover rate was 20%. The following charts show the total workforce by gender, age group, employment category and geographical region.

Total workforce		2024	2023	Unit
Total number of employees		**75**	92	Employee
By Gender	Male	**40**	56	Employee
	Female	**35**	36	Employee
By employment type	Full-time	**75**	92	Employee
	Part-time	**–**	0	Employee
By age group	<=30	**10**	19	Employee
	31-40	**25**	21	Employee
	41-50	**30**	44	Employee
	>50	**10**	8	Employee
By employment category	Managerial	**6**	14	Employee
	Senior	**3**	17	Employee
	Middle	**46**	40	Employee
	Junior	**20**	21	Employee
By function	Executive	**8**	12	Employee
	Technical	**30**	20	Employee
	Administrative	**10**	18	Employee
	Production	**27**	42	Employee
By geographical region	Hong Kong	**–**	6	Employee
	China	**75**	86	Employee

Environmental, Social and Governance Report (Continued)

Employee turnover rate[2]		2024	2023	Unit
Total employee turnover rate		33	34	%
By Gender	Male	3	16	%
	Female	20	56	%
By employment type	Full-time	0	34	%
	Part-time	–	–	%
By age group	<=30	62	0	%
	31-40	0	75	%
	41-50	38	27	%
	>50	0	0	%
By employment category	Managerial	80	0	%
	Senior	140	55	%
	Middle	0	30	%
	Junior	5	42	%
By geographical region	Hong Kong	200	0	%
	China	14	36	%

Health and Safety

To raise the safety awareness of the employees during work, the Group provides safety education and training to employees. Safety guidelines and operating manuals are also provided in place for the production process. The Group also provides employees with training programmes on work safety, such as the proper operation of equipment to enhance occupational safety and minimize the possibility of work-related accidents and injuries. The Group has established a policy for recording and handling accidents; and upon the occurrence of accidents, the staff will report to the relevant sub-team head to handle the case. The human resources department will assess the impact of the accidents and consider appropriate measures to improve occupational safety.

2 Employee Turnover Rate = (Employee count 2023-Employee count 2024)/Average (employee count 2023, employee count 2024)

Environmental, Social and Governance Report (Continued)

Health and Safety	2024	2023	Unit
Number of work-related fatalities	**0**	0	No.
Rate of work-related fatalities	**0**	0	%
Lost days due to work injury	**20**	60	No.

Workplace Health and Safety

To provide a safe and comfortable working environment, the Group has complied with the Labour Law of the PRC ("《中華人民共和國勞動法》"), the Law of the PRC on the Safety of Special Equipment ("《中華人民共和國特種設備安全法》") of occupational health and safety and other applicable regulations. The workplace is equipped with fire safety equipment in the event of a fire and the competency of the fire facilities is regularly checked.

During the past three years, including the Reporting Period, there was no record of work-related fatalities; and the total lost days due to work injury was 20 days in 2024 (2023: 60 days). The Group provides guidelines in the staff handbook and internal policy to enhance staff awareness of safety. We also employ a qualified service unit for regular occupational illness check-ups.

Production Safety

The operation of Foshan Factory shall comply with the PRC production safety laws and regulations. The Production Safety Law of the PRC ("《中華人民共和國安全生產法》") under the State Administration of Work Safety (" 國家安全生產監督管理總局") provides safety standards for production or business operation in order to reduce accidents and protect the security and safety of the general public and property. During the Reporting Period, the Group did not have material non-compliance with the Production Safety Law or other relevant laws and regulations.

Development and Training

Newly recruited employees are required to attend a safety training course so they can get familiar with the safety standards which they are required to meet during the production process. The Group also provides regular in-house safety education and training to the employees and recommends suitable training programmes held by outside authorities relating to the operation of production facilities.

During the Reporting Period, the Group provided an average of 2.6 hours of on-the-job training per employee. 87% of the employees are trained.

Environmental, Social and Governance Report (Continued)

Percentage of trained employees		2024	2023	Unit
Percentage of trained employees		**87**	71	%
By Gender	Male	**88**	71	%
	Female	**86**	69	%
By employee category	Managerial	**100**	71	%
	Senior	**100**	59	%
	Middle	**89**	75	%
	Junior	**75**	71	%
By function	Executive	**100**	71	%
	Technical	**83**	59	%
	Administrative	**80**	75	%
	Production	**89**	71	%

Average training hours completed		2024	2023	Unit
Average training hours per employee		**3.0**	3.0	Hour/employee
By Gender	Male	**3.0**	3.0	Hour/employee
	Female	**2.1**	3.0	Hour/employee
By employee category	Managerial	**5.0**	3.0	Hour/employee
	Senior	**10.0**	3.0	Hour/employee
	Middle	**2.0**	3.0	Hour/employee
	Junior	**2.3**	3.0	Hour/employee
By function	Executive	**3.0**	3.0	Hour/employee
	Technical	**2.5**	3.0	Hour/employee
	Administrative	**2.1**	3.0	Hour/employee
	Production	**2.8**	3.0	Hour/employee

Environmental, Social and Governance Report (Continued)

Labour Standards

The management will not recruit child labour or forced labour for the Group's operation. The Group complies with the Labour Contract Law of the PRC ("《中華人民共和國勞動合同法》"). Any individuals under legal working age and individuals without any identification documents are disqualified from employment.

During the Reporting Period, the Group did not identify any non-compliance with relevant laws and regulations regarding child labour or forced labour.

Operating Practices and Social Investment

Supply Chain Management

One of the Group's over-arching principles in selecting suppliers and sub-contractors is whether they take a similar stance on sustainability to us. For the production of raw materials by Hong Kong Entertainment's suppliers, the national standard "Cold-reduced Electrolytic Tinplate GB/T 2520-2008" ("《冷軋電鍍錫鋼板及鋼帶GB/T 2520-2008》") is recommended; and for the printing of tinplate, the industrial standard "Tinplate Prints for the Packing and Decoration QB/T1877-1993" ("《包裝裝潢鍍錫(鉻)薄鋼板印刷品QB/T 1877-2007》") is recommended to our suppliers. During the Reporting Period, the Group had a total of 196 suppliers.

Supply Chain Management		2024	2023	Unit
Number of suppliers by geographical region				
Total number of suppliers		196	140	Supplier
By geographical region	China	195	139	Supplier
	Hong-Kong	1	1	Supplier

The Group always views suppliers as important partners and persists in fair and open measures to cooperate with various suppliers. The Group gives priority to local suppliers when developing businesses all over the country in order to create employment opportunities for local communities and fulfil corporate social responsibility. Preference is also given to environmentally and socially responsible suppliers, such as contractors who prioritise the purchase of reusable and renewable products or adopt low-emission construction processes, etc.

The Group mainly engages subcontractors for the production processes of tinplate printing, tinplate scroll-cutting and tinplate laminating. The Group considers that these production processes require specific skill sets, machinery and equipment. The Group selects subcontractors with reference to factors, such as price, proximity to the Foshan Factory, technical and manufacturing capabilities, capacity to complete orders on time, delivery reliability, ability to meet quality requirements, reputation and possession of relevant business license if required. The Group will conduct site visits to their factories to inspect their machinery and equipment.

The Group adopts a green procurement concept in our supply chain. The Group's materials are purchased from qualified suppliers whose products meet the requirements of applicable environmental law and regulations. To monitor the performance of the subcontractors, the Group arranges visits to their facilities and communicates with them regularly to inspect processing quality. The Group also conducts various tests on the laminated tinplate sheets and printed tinplate sheets received from the subcontractors.

Environmental, Social and Governance Report (Continued)

Product Responsibility

The Group's main products are tin cans and steel pails. The Group has complied with the Standardisation Law of the PRC ("《中華人民共和國標準化法》"), and General Specifications include:

- "Transport Packages of Dangerous Goods GB 12463-2009" ("《危險貨物運輸包裝通用技術條件GB 12463-2009》"),
- "Packaging Containers – Tinplate Aerosol Can GB 13042-2008" ("《包裝容器– 鐵質氣霧罐GB 13042-2008》"),
- "Packing Containers – Square Pail GB/T 17343-1998" ("《包裝容器– 方桶GB/T 17343-1998》"), and
- "Rules for the Inspection of Packaging for Export Dangerous Goods SN/T 0370.2-2009" ("《出口危險貨物包裝檢驗規程SN/T 0370.2-2009》").

Product Responsibility	2024	2023	Unit
Percentage of total products sold or shipped subject to recalls	0	0	%
Number of products and service-related complaints received	0	0	No.

Product Safety and Quality

The Group places great emphasis on the quality of the products and adopts quality control measures covering various aspects of the procurement and production operations. The production department is mainly responsible for devising production plans based on various factors, including the delivery dates and volumes of the products stipulated in customers' orders, any monthly purchase plans provided by the customers, historical sales demands, the production capacity and the inventory levels, and ensuring the smooth operation of the production lines.

Onsite quality inspectors are set up in each production line to perform random quality checks for the product. Products will also be sent to the quality inspection department for regular quality appraisal. If there is any product recall, the Group will arrange a quality inspector to visit the client and determine whether there is a quality issue. If yes, the product will be returned to the company for warehousing processing, and the quality inspector will check again whether it can be repaired or not.

The Group is deeply aware of the importance of product quality and safety of its products. The Group has established policies to ensure that buyers are satisfied with its products. Procedures and systems are in place to give timely redress towards any dissatisfaction reported or discovered. During the Reporting Period, the Group did not have any record of complaints or product recalls based on the quality of our products.

Intellectual Property Rights

The Group is committed to protecting and respecting intellectual property rights by registering patents for our systems and products. During the Reporting Period, the Group did not have any material non-compliance with the Patent Law of the PRC ("《中華人民共和國專利法》"), Trademark Law of the PRC ("《中華人民共和國商標法》") and other laws and regulations related to intellectual property rights.

Environmental, Social and Governance Report (Continued)

Customer Data Protection

The Group undertakes to comply with the relevant laws and regulations in the PRC to ensure that the rights and interests of customers are strictly protected. Information collected by the Group from its customers would only be used by the sales department for management. Other departments are not permitted to use, export and copy any customer's information.

The Group did not have any material non-compliance with applicable laws and regulations regarding health and safety, advertising, labelling and privacy matters related to services offered during the Reporting Period.

Anti-Corruption

The management of the Group does not tolerate any forms of corruption, fraud, money laundering, bribery and extortion in the course of its operations. The Group has complied with relevant laws and regulations, such as the Criminal law of the PRC ("《中華人民共和國刑法》") and the Anti-Unfair Competition Law of the PRC ("《中華人民共和國反不正當競爭法》"). We also have policies on anti-money laundering and counter-terrorist financing, and any suspicious transactions would be notified and reported to the relevant governing body by the responsible officer.

In order to encourage our employees to report illegality, irregularity, malpractice, unethical or inappropriate conducts, which may damage the Group's interests, we established whistle-blowing policy and implement procedures for our employees to report improprieties via a confidential reporting channel to the extent that is made possible to all employees.

The Group understands the importance of promoting anticorruption to the employees. However, the preparation work is suspended due to the pandemic. The Group is now preparing the materials and training sessions. The Group will soon start the training once the materials are ready to deliver.

During the Reporting Period, no corruption or fraudulent incident was discovered in the Group. The Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Anti-Corruption	2024	2023	Unit
Number of concluded legal cases regarding corruption	0	0	Case

Community Investment

As a part of the continuous effort in giving back to society, the Group seeks opportunities to get involved in various community programs. The Group's approaches towards community involvement are as follows:

- the Group will fulfill corporate social responsibility through expanding its efforts in the areas of charity work;
- assessment will be taken on how to conduct business activities in the interests of the community; and
- the Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

Environmental, Social and Governance Report (Continued)

HKEX ESG REPORTING GUIDE CONTENT INDEX

KPIs		Disclosure Requirements	Sections
1	Governance Structure	Disclosure of the board's oversight of ESG issues;	ESG Governance
		Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues)(including risks to the issuer's businesses	ESG Governance
		How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	ESG Governance
	Reporting Principles	Description of, or an explanation on, the application of the following Reporting Principles (Materiality, Quantitative, Consistency) in the preparation of the ESG report	About This Report
	Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change	About This Report
Environmental			
Aspect A1: Emissions			
A1	General Disclosure	Policies	Emissions
		Compliance with relevant laws and regulations that have a significant impact on the issuer; relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
A1.1		The types of emissions and respective emissions data.	Emissions
A1.2		Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.3		Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.4		Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.5		Description of emission target(s) set and steps taken to achieve them.	Emissions

Environmental, Social and Governance Report (Continued)

KPIs		Disclosure Requirements	Sections
A1.6		Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management
A2	**Use of Resource**		
A2	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Consumption
A2.1		Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption
A2.2		Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption
A2.3		Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption
A2.4		Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Consumption
A2.5		Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
A3	**The Environment and Natural Resources**		
A3	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
A3.1		Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
A4	**Climate Change**		
A4	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1		Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Environmental, Social and Governance Report (Continued)

KPIs		Disclosure Requirements	Sections
Social			
B1	**Employment**		
B1	General Disclosure	Policies	Employment and Labour Practices
		Compliance with relevant laws and regulations that have a significant impact on the issuer; relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment and Labour Practices
B1.1		Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labour Practices
B1.2		Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices
B2	**Health and Safety**		
B2	General Disclosure	Policies	Health and Safety
		Compliance with relevant laws and regulations that have a significant impact on the issuer	Health and Safety
B2.1		Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2		Lost days due to work injury.	Health and Safety
B2.3		Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
B3	**Development and Training**		
B3	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1		The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
B3.2		The average training hours completed per employee by gender and employee category.	Development and Training

Environmental, Social and Governance Report (Continued)

KPIs		Disclosure Requirements	Sections
B4	**Labour standards**		
B4	General Disclosure	Policies	Labour standards
		Compliance with relevant laws and regulations that have a significant impact on the issuer	Labour standards
B4.1		Description of measures to review employment practices to avoid child and forced labour.	Labour standards
B4.2		Description of steps taken to eliminate such practices when discovered.	Labour standards
B5	**Supply chain management**		
B5	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain management
B5.1		Number of suppliers by geographical region.	Supply chain management
B5.2		Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply chain management
B5.3		Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management
B5.4		Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management
B6	**Product Responsibility**		
B6	General Disclosure	Policies	Product Responsibility
		Compliance with relevant laws and regulations that have a significant impact on the issuer	Product Responsibility
B6.1		Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2		Number of products and service related complaints received and how they are dealt with.	Product Responsibility

Environmental, Social and Governance Report (Continued)

KPIs		Disclosure Requirements	Sections
B6.3		Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
B6.4		Description of quality assurance process and recall procedures.	Product Responsibility
B6.5		Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
B7	**Anti-corruption**		
B7	General Disclosure	Policies	Anti-corruption
		Compliance with relevant laws and regulations that have a significant impact on the issuer	Anti-corruption
B7.1		Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2		Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
B7.3		Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8	**Community investment**		
B8	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment
B8.1		Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment
B8.2		Resources contributed (e.g. money or time) to the focus area.	Community investment

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

Details of the discussion and analysis of the principal activities, including a business review, of the Group for the year ended 31 December 2024, can be found in the section "Management Discussion and Analysis" as set out on pages 6 to 12 of this annual report. These discussions form part of this Directors' report.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 62 and note 35 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 14 to the consolidated financial statements.

Directors' Report (Continued)

SHARE CAPITAL

Details of the movements during the year ended 31 December 2024 in the share capital of the Company are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 December 2024, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMBNil million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the largest customer accounted for approximately 21.5% (2023: 33.6%) of the total revenue. For the year ended 31 December 2024, the percentage of revenue derived from the five largest customers in aggregate was approximately 47.7% (2023: 72.2%).

For the year ended 31 December 2024, the largest supplier accounted for approximately 8.2% (2023: 31.1%) of the total purchases. For the year ended 31 December 2024, the five largest suppliers in aggregate accounted for approximately 35.0% (2023: 80.0%) of the total purchases.

None of the Directors, their respective close associates or any shareholder of the Company (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and suppliers during the year ended 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

Business risk

The customer base of the Group mainly comprised paint and coatings suppliers and other manufacturers of packaging products. Four of the five largest customers are located in Guangdong Province. As such, the business performance is affected by the general economic environment of the downstream industries, especially the paint and coatings industry in Guangdong Province which may be affected by various factors beyond the Group's control, including but not limited to GDP growth rate, consumer confidence, levels of inflation, unemployment levels and interest rates. A slowdown in the downstream industries may in turn result in decreased demand for the Group's products and ultimately a material adverse effect on the Group's business, financial position and results of operations.

Directors' Report (Continued)

Reliance on major customers

Sales to the Group's five largest customers for the year ended 31 December 2024 accounted for approximately 47.7% of the total revenue. The Group do not enter into any long-term contract with purchase obligations with these customers and cannot assure you these five largest customers will continue to do business with the Group at the same or increased levels or at all. If any of the major customers were to substantially reduce the volume and/or the value of their businesses with the Group and the Group were unable to expand its business with existing customers or attract new customers at desired levels, the Group may experience slower or no growth at all or decrease in revenue, and the Group's business, financial position and results of operations would be materially and adversely affected.

Reliance on major suppliers

Purchases from the Group's five largest suppliers for the year ended 31 December 2024 accounted for approximately 35.0% of the total purchases. Purchases from the largest supplier for the year ended 31 December 2024 accounted for approximately 8.2% of the total purchases.

The Group do not enter into long-term contract with purchase obligations with its suppliers. There is no guarantee that the Group will not suffer from any shortage of suppliers in the future. Should any of the major suppliers reduce the volume supplied to the Group, the Group may need to find alternative suppliers on similar sale terms and conditions acceptable. If the Group fail to do so in a timely manner, its production may have to be interrupted, its production costs may increase and the business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

Reliance on raw materials

During the year under review, the costs of raw materials mainly represented tinplate coil consumed. The Group's ability to pass on such raw material cost increases is, to a large extent, subject to the intensity of market competition and the general economic conditions. In addition, there is no assurance that the Group can continue to secure adequate supplies of tinplate coil at a competitive cost level to meet its production requirements, particularly in periods of high demand. Therefore, the revenue and profitability of the Group may be adversely affected in the event of unsteady supply or price fluctuation of tinplate coil for the production.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to avoid material environmental pollution, and ensure our compliance of prevailing environmental protection laws and regulations. For the purpose of disclosing the information in relation to environmental, social and government ("ESG") in accordance with the ESG Reporting Guide in Appendix C2 to the GEM Listing Rules, for further details, please refer to the Company's Environmental Social and Governance Report published on the same date as this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2024, the Company complied with the relevant laws and regulations in the PRC and Hong Kong in all material respects.

Directors' Report (Continued)

KEY RELATIONSHIPS

Employees

The Company recognises that employees are a valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Suppliers

The Group selects the suppliers based on a number of criteria including but not limited to their product quality, pricing, supply capability and business track record with the Group. The Directors take the view that due to their experience in the tinplate packaging industry, they strive to safeguard the safety and quality of the Group's production materials. Hence, the Directors are capable of identifying suitable suppliers based on the aforesaid criteria. The Group regularly conducts on-site inspections of the suppliers' production facilities, reviews their background information and licences, including their business licence(s) and requisite certifications. As such, the Group has compiled and maintained a list of approved suppliers. These suppliers or any one of them would be removed from the list should they fail to satisfy the Group's quality and service requirements upon periodic review by the Group's production team and quality control team.

Customers

During the year ended 31 December 2024, the Group sold the tinplate packaging products directly to the customers predominantly in the Guangdong Province, which mainly comprising paint and coatings suppliers and other manufacturers of packaging products. The Group stays connected with its customers and has ongoing communication with the customers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were as follows:

Executive Directors
Mr. Wang Yun
Mr. Zou Yonggang
Mr. Wang Shuai (Appointed on 17 April 2024)

Independent Non-executive Directors
Mr. Wong Sui Chi
Ms. Yin Suying (Appointed on 17 September 2024)
Mr. Wu Chi King

Pursuant to the Articles of Association, Mr. Wang Yun, Mr. Wang Shuai, Mr. Wong Sui Chi and Ms. Yin Suying will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report (Continued)

Directors' Service Contracts

Mr. Wang Yun and Mr. Zou Yonggong have entered into a service agreement with the Company as an Executive Director on 22 October 2019 with no fixed term of service. Mr. Wang Yun and Mr. Zou Yonggong shall hold office only until the next general meeting of the Company and shall be eligible for re-election at that meeting.

Mr. Wang Shuai has entered into a service agreement with the Company as an Executive Director on 17 April 2024 with no fixed term of service. Mr. Wang Shuai shall hold office only until the next general meeting of the Company and shall be eligible for re-election at that meeting.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Mr. Wong Sui Chi, Ms. Yin Suying and Mr. Wu Chi King are appointed with an initial term of three years, one year and one year commencing from the execution date and will continue thereafter until terminated by not less than three months' notice, one month's notice and one month's notice in writing served by either party on the other respectively.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of the subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save for the related party transactions disclosed in note 30 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or an entity connected with a Director had a material interests, whether directly or indirectly, subsisted during or at the end of the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

Directors' Report (Continued)

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate liabilities insurance to indemnify the Directors from any liabilities and costs arising from the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 31 December 2024.

EMOLUMENT POLICY FOR DIRECTORS

The remuneration committee of the Company is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Company's policies concerning remuneration of Directors are: (1) the amount of remuneration payable to the Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director; and (2) the Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association of the Company;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

Directors' Report (Continued)

SHARE OPTION SCHEME

The Company has conditional adopted a share option scheme (the "Share Option Scheme") on 23 June 2017. For the principal terms of the Share Option Scheme, please refer to "D. Share Option Scheme" in Appendix V to the Prospectus.

Up to 31 December 2024, 10,775,352 share options are outstanding by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK$0.20 each of the Company.

			Number of share options							
Category of participants	Date of grant	Vesting period	Outstanding as at 1 January 2024	Granted during the year ended 31 December 2024	Exercised during the year ended 31 December 2024	Lapsed/ cancelled during the year ended 31 December 2024	Forfeited during the year ended 31 December 2024	Outstanding as at 31 December 2024	Exercisable period	Exercise price per share (HK$)
Executive director										
Mr. Wang Yun	20 May 2021	No	774,000	–	–	(774,000)	–	–	3 years	0.508
Mr. Zou Yonggang	20 May 2021	No	774,000	–	–	(774,000)	–	–	3 years	0.508
Independent non-executive director										
Ms. Ha Yee Lan Elaine (Resigned on 17 June 2024)	20 May 2021	No	516,000	–	–	(516,000)	–	–	3 years	0.508
Employees										
	10 April 2019	No	2,204,440	–	–	–	–	2,204,440 (note i)	10 years	1.981
	6 April 2022	No	8,256,000	–	–	–	–	8,256,000 (note ii)	3 years	0.400
Consultants										
	10 April 2019	No	314,912	–	–	–	–	314,912 (note iii)	10 years	1.981
			12,839,352	–	–	(2,064,000)	–	10,775,352		

Notes:

(i) The share options have been granted to 7 employees and each of them hold 314,920 share options.

(ii) The share options have been granted to 10 employees and each of them hold 825,600 share options.

(iii) The share options have been granted to consultant A.

Pursuant to the service agreement entered into the Company and consultant A, consultant A make use of her professional knowledge and experience to monitor and improve the production efficiency for the Company which is considered as Consultant of the Group in the technical area.

Directors' Report (Continued)

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2024, except for those disclosed in note 30 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors conducted review of the related party transactions of the Group during the year ended 31 December 2024 and were not aware any transaction requiring disclosure of connected transactions in accordance with the requirements of the GEM Listing Rules.

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

Save as disclosed elsewhere in the annual report, as at 31 December 2024, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2024, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company disclosed above) had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 2024, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Directors' Report (Continued)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2024.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has applied the principles and complied with all the applicable code provisions set out in Appendix 15 to the GEM Listing Rules.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2024 have been reviewed by the audit committee of the Company. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2024 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITORS

Elite Partners CPA Limited resigned as auditor of the Company with effect from 29 January 2024 and Jon Gepsom CPA Limited was appointed as the new auditor to fill the causal vacancy with effective from 29 January 2024. The consolidated financial statements for the year ended 31 December 2024 have been audited by Jon Gepsom CPA Limited, who will retire, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Jon Gepsom CPA Limited as auditor of the Company.

By order of the Board
Hong Kong Entertainment International Holdings Limited
Wang Yun
Executive Director

Hong Kong, 31 March 2025

Independent Auditor's Report

Jon Gepsom CPA Limited
1003-1005, 10/F., Siu On Centre
188 Lockhart Road, Wan Chai, Hong Kong

To the Shareholders of Hong Kong Entertainment International Holdings Limited
(formerly known as "Wan Cheng Metal Packaging Company Limited")
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Entertainment International Holdings Limited (formerly known as "Wan Cheng Metal Packaging Company Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 119, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 (the "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 3 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB6,954,000 for the year ended 31 December 2024 and, as at that date, the Group had net current liabilities and net liabilities of approximately RMB49,109,000 and RMB93,598,000 respectively. As stated in note 3 to the consolidated financial statements, 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.

Independent Auditor's Report (Continued)

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. In addition to the matter described in the Material Uncertainty Related to Going Concern, we have determined impairment assessment of trade receivables to be the key audit matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
Refer to notes 3.5, 4, 19 and 32(a) to the consolidated financial statements. As at 31 December 2024, the carrying amount of trade receivables was approximately RMB14,640,000, net of allowance for expected credit losses ("ECL") of approximately RMB8,210,000. In estimating the allowance for ECL on trade receivables, the directors of the Company has engaged professional qualified valuers in calculating the amount under lifetime ECL by grouping the trade receivables based on shared credit risk characteristics. The expected loss rates, which are calculated using provision matrix, are based on the historical credit loss rates, adjusted for forward-looking information. The grouping of the trade receivables by shared credit risk characteristics and the determination of the forward-looking information involve significant judgements and estimates made by the directors of the Company. We have identified the impairment assessment of trade receivables as a key audit matter because the carrying amounts of the trade receivables and the allowance for ECL are significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates made by the directors of the Company when performing the impairment assessment.	Our procedures in relation to this matter included: • Evaluating the design and implementation of key internal controls over credit control, trade receivables and estimates of the allowance for ECL; • With the assistance of the auditor's expert, assessing the reasonableness of the Group's ECL models by examining the underlying assumptions and data used by the directors of the Company in calculating the allowance for ECL, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • Inspecting settlements after the financial year end relating to the trade receivables as at 31 December 2024; and • Assessing the disclosures made in the consolidated financial statements in relation to the Group's credit risk exposure.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Independent Auditor's Report (Continued)

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 of the Company.

- Conclude on the appropriateness of the Company's 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report (Continued)

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

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

Jon Gepsom CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number : P06633

1003–1005, 10/F.
Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

31 March 2025

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	6	**54,472**	48,545
Cost of sales		**(52,701)**	(47,093)
Gross profit		**1,771**	1,452
Other income and losses, net	7	**(3,697)**	(726)
Selling and distribution expenses		**(1,386)**	(1,978)
Administrative and other expenses		**(6,938)**	(13,909)
Reversal of/(impairment losses) on trade and other receivables, net		**4,974**	(8,805)
Share of result of an associate	16	**(112)**	–
Finance costs	8	**(1,566)**	(3,072)
Loss before income tax	10	**(6,954)**	(27,038)
Income tax	9	**–**	–
Loss for the year		**(6,954)**	(27,038)
Other comprehensive (expense)/income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon disposal of a subsidiary	29	**(5)**	–
Exchange differences on translation of foreign operations		**696**	1,166
Other comprehensive income for the year		**691**	1,166
Total comprehensive expense for the year		**(6,263)**	(25,872)
Loss for the year attributable to:			
– Owners of the Company		**(6,914)**	(27,038)
– Non-controlling interests		**(40)**	–
		(6,954)	(27,038)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(6,223)**	(25,872)
– Non-controlling interests		**(40)**	–
		(6,263)	(25,872)
Loss per share (RMB)			
– Basic and diluted	13	**(0.04)**	(0.17)

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**2,084**	21,700
Right-of-use assets	*15*	**–**	1,128
Interest in an associate	*16*	**–**	–
		2,084	22,828
Current assets			
Inventories	*17*	**8,526**	17,477
Financial assets at fair value through profit or loss	*18*	**9,541**	12,965
Trade and bills receivables	*19*	**14,640**	30,590
Prepayments and other receivables	*20*	**4,813**	3,490
Pledged bank deposits	*21*	**2,995**	5,953
Cash and cash equivalents	*22*	**4,099**	20,348
		44,614	90,823
Current liabilities			
Trade and bills payables	*23*	**52,993**	51,738
Accruals and other payables	*24*	**12,676**	27,345
Borrowings	*25*	**28,000**	28,000
Income tax payable		**54**	1,153
		93,723	108,236
Net current liabilities		**(49,109)**	(17,413)
Total assets less current liabilities		**(47,025)**	5,415
Non-current liability			
Borrowings	*25*	**46,573**	92,750
Net liabilities		**(93,598)**	(87,335)

Consolidated Statement of Financial Position (Continued)

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	*26*	**27,909**	27,909
Reserves	*27*	**(121,467)**	(115,244)
Equity attributable to owners of the Company		**(93,558)**	(87,335)
Non-controlling interests		**(40)**	–
Capital deficiency		**(93,598)**	(87,335)

Approved by the board of directors on 31 March 2025 and are signed on its behalf by:

Wang Yun
Director

Zou Yonggang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital RMB'000 *(note 26)*	Share premium RMB'000 *(note 27(i))*	Statutory reserve fund RMB'000 *(note 27(ii))*	Capital reserve RMB'000 *(note 27(iii))*	Share option reserve RMB'000 *(note 27(iv))*	Exchange reserve RMB'000 *(note 27(v))*	Other reserve RMB'000 *(note 27(vi))*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2023	27,909	105,325	3,826	7,200	4,703	4,866	(35,783)	(179,509)	(61,463)	–	(61,463)
Loss for the year	–	–	–	–	–	–	–	(27,038)	(27,038)	–	(27,038)
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	1,166	–	–	1,166	–	1,166
Total comprehensive income/(expense) for the year	–	–	–	–	–	1,166	–	(27,038)	(25,872)	–	(25,872)
Lapse of share options (note 28)	–	–	–	–	(495)	–	–	495	–	–	–
As at 31 December 2023 and 1 January 2024	**27,909**	**105,325**	**3,826**	**7,200**	**4,208**	**6,032**	**(35,783)**	**(206,052)**	**(87,335)**	**–**	**(87,335)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**-**	**(6,914)**	**(6,914)**	**(40)**	**(6,954)**
Other comprehensive income:											
Release of exchange reserve upon disposal of a subsidiary (note 29)	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**–**	**(5)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**696**	**–**	**–**	**696**	**–**	**696**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**691**	**–**	**(6,914)**	**(6,223)**	**(40)**	**(6,263)**
Lapse of share options (note 28)	**–**	**–**	**–**	**–**	**(479)**	**–**	**–**	**479**	**–**	**–**	**–**
As at 31 December 2024	**27,909**	**105,325**	**3,826**	**7,200**	**3,729**	**6,723**	**(35,783)**	**(212,487)**	**(93,558)**	**(40)**	**(93,598)**

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		**(6,954)**	(27,038)
Adjustments for:			
Depreciation of property, plant and equipment		**1,835**	1,864
Depreciation of right-of-use assets		**24**	24
Losses/(gains) on fair value changes of financial assets at fair value through profit or loss, net		**3,804**	(414)
Gain on disposal of a subsidiary		**(55)**	–
Gain on disposal of property, plant and equipment and right-of-use assets		**(132)**	–
Share of result of an associate		**112**	–
(Reversal of)/impairment losses on trade and other receivables		**(4,974)**	8,805
Finance costs		**1,566**	3,072
Interest income from bank deposits		**(39)**	(3)
Operating cash flows before movements in working capital		**(4,813)**	(13,690)
Decrease/(increase) in inventories		**8,951**	(1,200)
Decrease/(increase) in trade and bills receivables		**20,511**	(18,788)
(Increase)/decrease in prepayment and other receivables		**(1,050)**	4,000
Increase in trade and bills payables		**1,255**	19,872
(Decrease)/increase in accruals and other payables		**(14,710)**	3,015
Cash generated from/(used in) operations		**10,144**	(6,791)
Interest received		**39**	3
Income tax paid		**(1,099)**	–
Net cash generated from/(used in) operating activities		**9,084**	(6,788)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(483)**	(509)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**19,500**	593
Purchase of financial assets at fair value through profit or loss		**(32)**	(1,987)
Net cash inflows on disposal of a subsidiary	*29*	**166**	–
Net cash from/(used in) investing activities		**19,151**	(1,903)
Cash flows from financing activities			
Interest paid		**(1,566)**	(3,072)
Borrowings raised		**28,000**	38,000
Repayments of borrowings		**(74,177)**	(28,000)
Payment of lease liabilities		**–**	(3,630)
Withdrawal/(placement) of pledged bank deposits		**2,958**	(855)
Net cash (used in)/from financing activities		**(44,785)**	2,443
Net decrease in cash and cash equivalents		**(16,550)**	(6,248)
Cash and cash equivalents at the beginning of the reporting period		**20,348**	25,815
Effect on exchange rate changes on cash and cash equivalents		**301**	781
Cash and cash equivalents at the end of the reporting period, representing bank balances and cash	*21*	**4,099**	20,348

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. CORPORATE INFORMATION

Hong Kong Entertainment International Holdings Limited (formerly known as Wan Cheng Metal Packaging Company Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is 18/F, V. Heun Building, 138 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) manufacturing and sales of tinplates and tinplate packaging products (the "Tin Operations") in the People's Republic of China (the "PRC"); and (ii) repackaging and sales of products in Hong Kong. The Group commenced the business of repackaging and sales of products during the year ended 31 December 2023.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 July 2017.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 31 May 2024, the name of the Company was changed from Wan Cheng Metal Packaging Company Limited（萬成金屬包裝有限公司）to Hong Kong Entertainment International Holdings Limited（港娛國際控股有限公司）with effect from 4 June 2024.

The functional currency of the Company is Hong Kong dollars ("HK$") while the functional currency of the subsidiary of the Company established in the PRC is Renminbi ("RMB"). For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency as to better reflect the financial results and performance of the main operation of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

1. CORPORATE INFORMATION (Continued)

At the end of the reporting period, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiary	Country/place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
			2024	2023	
佛山市順德區萬成金屬包裝有限公司 (Foshan City Shunde Wancheng Metal Packaging Company Limited*) (note (i))	The PRC	RMB2,000,000	100%	100%	Tin Operations
Wan Cheng Group Limited ("Wan Cheng Group")	The British Virgin Islands (the "BVI")	United States dollar ("US$") US$1	100%	100%	Investment holding
Wan Cheng Group (Hong Kong) Limited	Hong Kong	HK$10,000	100%	100%	Investment holding
Ganyu Selection Limited ("Ganyu Selection")	The BVI	US$100	51%	–	Investment holding
Ganyu Supply Chain Limited	Hong Kong	HK$10,000	51%	–	Repackaging and sales of products in Hong Kong
Wancheng Group Limited ("Wancheng HK")	Hong Kong	HK$100	N/A (Note (ii))	100%	Repackaging and sales of products in Hong Kong

Notes:

(i) Registered as wholly-foreign owned enterprise under the PRC law.

(ii) 51% equity interest was disposal of and ceased to be subsidiary of the Company as disclosed in note 29.

* *For identification purposes only*

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the reporting period.

Except for Wan Cheng Group, Wancheng HK and Ganyu Selection, whose ownership interests are directly held by the Company, all other ownership interests are indirectly held by the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Application of amendments to HKFRS Accounting Standards

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The following amendments are applied for the first time and are mandatorily effective for the annual periods beginning on or after 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
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards, which were relevant to the Group and have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[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 to be determined by the HKICPA

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective (Continued)

The directors of the Company anticipate that all of the pronouncements of new and amendments to HKFRS Accounting Standards and Interpretation 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 HKFRS Accounting Standard that are expected to have impact on the Group's accounting policies is provided below. Other amendments to HKFRS Accounting Standards and Interpretation are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 18 *Presentation and Disclosure in Financial Statements*

HKFRS 18 *Presentation and Disclosure in Financial Statements* ("HKFRS 18"), which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements* ("HKAS 1"). This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements; and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of HKFRS 18 is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA and in compliance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Group are set out below.

Going concern consideration

For the year ended 31 December 2024, the Group incurred a net loss of approximately RMB6,954,000 and, as at 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB49,109,000 and RMB93,598,000 respectively. These events or conditions indicate the existence of a material uncertainty which might cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, the consolidated financial statements of the Group have been prepared on the going concern basis as the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations and to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 December 2024, after taking into consideration the followings:

(a) as at 31 December 2024, the Group has unutilised banking facilities amounted to RMB52,000,000 (note 25), which was valid until 2 September 2027, for financing the Tins Operation and fulfilling its financial obligation;

(b) the Group may seek other financing resources (including but not limited to issue of shares or obtain other credit facilities) to meet its liabilities and obligations as and when they fall due;

(c) the Group continues to improve the operating efficiency by implementing measures to tighten the cost controls, over various operating expenses in order to enhance its profitability and to improve the cash flows from its operation in the future; and

(d) a former director of the PRC subsidiary of the Company (who resigned as a director of the PRC subsidiary of the Company on 19 September 2024) (the "Former Director") has agreed to provide adequate funds for the Tins Operation to meet its liabilities as they fall due.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Going concern consideration (Continued)

The directors of the Company consider that, after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from 31 December 2024. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not be continued as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss ("FVTPL") that are measured at fair value at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained below.

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

3.1 Basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 Basis of consolidation (Continued)

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. The amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profit as specified by applicable HKFRS Accounting Standards). 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 Basis of consolidation (Continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method. Under the equity method, interest in an associate are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

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

Buildings	20-30 years
Machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.4 Impairment of property, plant and equipment and right-of-use assets

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that do not meet the criteria for being measured at amortised or fair value through other comprehensive income ("FVTOCI") or designed as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other income and losses, net" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

(b) 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;

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

(d) an actual or expected significant deterioration in the operating results of the debtor; or

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

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

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

Despite the foregoing, 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 the reporting period. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default; (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including (trade and bills payables, accruals and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

3.6 Inventories

Inventories are initially recognised at cost, and subsequently stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of the inventories are determined on a weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.7 Cash and cash equivalents

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

3.8 Employee benefits

(i) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(ii) Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.8 Employee benefits (Continued)

(iii) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

3.9 Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

3.10 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.10 Income taxes (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3.12 Revenue from contracts with customers

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

Revenue from sales of tinplate packaging products and tinplates

Revenue from sales of tinplate packaging products and tinplates is recognised at a point in time when control of the goods has been transferred, being when the tinplate packaging products and tinplates have been delivered to the location designated by the distributor.

Revenue from repackaging and sales of products

Revenue from repackaging and sales of products is recognised at a point in time when the control of goods is transferred to the customers.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.13 Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

3.14 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.15 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities reported and disclosures made in the consolidated financial statements. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 3.

Significant increase in credit risk

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

Key sources of estimation uncertainty

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgements and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amounts of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2024, the carrying amounts of property, plant and equipment and right-of-use assets are approximately RMB2,084,000 (2023: RMB21,700,000) and nil (2023: RMB1,128,000) respectively.

Impairment assessment of trade receivables

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

As at 31 December 2024, the carrying amount of trade receivables were approximately RMB14,640,000 (2023: RMB30,590,000). Reversal of impairment losses of approximately RMB4,561,000 (2023: impairment losses of approximately RMB7,036,000) has been recognised during the year ended 31 December 2024.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The management reassesses these estimates at the end of each reporting period.

As at 31 December 2024, the carrying amount of inventories is approximately RMB8,526,000 (2023: RMB17,477,000). No provision for inventories has been recognised for the years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

5. SEGMENT INFORMATION

The Group's businesses include (i) the Tin Operations; and (ii) repackaging and sales of products which were commenced during the year ended 31 December 2023. The Group's chief operating decision makers (the "CODM") have been identified as the executive directors of the Company. The information reported to the CODM, for the purpose of resources allocation and assessment of performance, does not contain discrete operating segment financial information and the CODM reviewed the financial results of the Group as a whole. Accordingly, no segment information is presented.

Geographical information

The Group's revenue from external customers by geographical location of customers is detailed below:

	2024 RMB'000	2023 RMB'000
The PRC, excluding Hong Kong	**40,305**	44,843
Hong Kong of the PRC	**14,167**	3,702
	54,472	48,545

As at 31 December 2024 and 2023, all the Group's non-current assets (excluding interest in an associate) are located in the PRC, excluding Hong Kong. Accordingly, no geographical information of non-current assets was disclosed.

Information about major customers

Revenue from major customers, each of whom contributing 10% (2023: 10%) or more of the Group's total revenue is set out below:

	2024 RMB'000	2023 RMB'000
Customer A[1]	**11,735**	16,333
Customer B[1]	**N/A[2]**	7,768

1 Revenue from the Tins Operation.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

6. REVENUE

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time:		
Revenue from sales of tinplate packaging products	**37,584**	42,152
Revenue from sales of tinplates	**2,721**	2,691
Revenue from repackaging and sales of products	**14,167**	3,702
	54,472	48,545

7. OTHER INCOME AND LOSSES, NET

Other income and gains/(losses) during the year ended 31 December 2024 are presented in the followings:

	2024 RMB'000	2023 RMB'000
Interest income from bank deposits	**39**	3
(Losses)/gains on fair value changes of financial assets at FVTPL, net	**(3,804)**	414
Gain on disposal of a subsidiary (note 29)	**55**	–
Gain on disposal of property, plant and equipment and right-of-use assets (note 14)	**132**	–
Others	**(119)**	(1,143)
	(3,697)	(726)

8. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expense on lease liabilities	**–**	1,425
Interest expense on borrowings	**1,566**	1,647
	1,566	3,072

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

9. INCOME TAX

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2023: 16.5%). No Hong Kong Profits Tax has been provided for the years ended 31 December 2024 and 2023 as the Group has no assessable profits derived in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the enterprise income tax rate of the PRC subsidiary of the Group is 25% for both years. No provision for the PRC enterprise income tax has been provided for the years ended 31 December 2024 and 2023 as the PRC subsidiary of the Group incurred tax losses in the PRC.

The Group is not subject to taxation in other jurisdictions during the years ended 31 December 2024 and 2023.

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

	2024 RMB'000	2023 RMB'000
Loss before income tax	**(6,954)**	(27,038)
Tax on loss before income tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(1,326)**	(6,370)
Tax effect of non-taxable income	**(16)**	–
Tax effect of non-deductible expenses	**649**	705
Tax effect of tax losses not recognised	**1,937**	3,463
Tax effect of deductible temporary differences not recognised	**–**	2,202
Tax effect of utilisation of deductible temporary differences previously not recognised	**(1,244)**	–
Income tax	**–**	–

As at 31 December 2024, no deferred tax assets have been recognised in relation to the estimated un-used tax losses of approximately RMB50,761,000 (2023: RMB42,668,000) and deductible temporary differences of RMB174,776,000 (2023: RMB169,802,000) due to the unpredictability of the future profits streams. Included in the estimated un-used tax losses as at 31 December 2024 was a balance of approximately RMB1,339,000 (2023: RMB320,000) which such estimated un-used tax losses might be carried forward indefinitely. Other estimated tax losses might be carried forward for 5 years from the year it has been incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

9. INCOME TAX (Continued)

According to the prevailing the EIT law and its relevant regulations, non-PRC resident enterprises are levied on withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax.

No deferred tax liabilities in respect of the dividend withholding tax on un-remitted earnings have been recognised because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable future.

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2024 RMB'000	2023 RMB'000
Auditor's remuneration	**554**	543
Cost of inventories recognised as expenses	**52,701**	40,759
Depreciation of property, plant and equipment	**1,835**	1,864
Depreciation of right-of-use assets	**24**	24
Expenses related to short-term lease	**232**	590
Staff costs (excluding directors' remuneration (note 11(a)):		
— Salaries, allowances and benefits in kind	**2,137**	2,577
— Contributions to defined contribution plans (note)	**280**	350
	2,417	2,927

Note: There were no forfeited contributions utilised to reduce future contributions during the years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST-PAID INDIVIDUALS

(a) Directors' remuneration

Directors' and chief executive's remuneration for the year ended 31 December 2024, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fee	Salaries, allowances and benefits in kind	Contributions to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024				
Executive directors				
Mr. Wang Yun	–	133	–	133
Mr. Zou Yonggang	–	57	–	57
Mr. Wang Shuai (note (i))	–	–	–	–
Independent non-executive directors				
Mr. Wong Sui Chi	89	–	–	89
Mr. Wu Chi King	133	–	–	133
Ms. Ha Yee Lan Elaine (note (iii))	51	–	–	51
Ms. Yin Suying (note (ii))	27	–	–	27
	300	190	–	490
Year ended 31 December 2023				
Executive directors				
Mr. Wang Yun	–	130	–	130
Mr. Zou Yonggang	–	109	–	109
Independent non-executive directors				
Mr. Wong Sui Chi	87	–	–	87
Mr. Wu Chi King	130	–	–	130
Ms. Ha Yee Lan Elaine (note (iii))	109	–	–	109
	326	239	–	565

Notes:

(i) appointed on 17 April 2024

(ii) appointed on 13 September 2024

(iii) resigned on 17 June 2024

None of the directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST-PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

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

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

Except for those disclosed in material related party transactions elsewhere to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director or its connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest-paid individuals

The five highest-paid individuals of the Group for the year ended 31 December 2024 include two (2023: two) directors of the Company whose emoluments were disclosed in note 11(a). The emoluments of the remaining three (2023: three) individuals were as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**317**	395
Contributions to defined contribution plans	**25**	54
	342	449

Their emoluments were within the following bands:

	Number of employees	
	2024	2023
Nil to HK$1,000,000 (equivalent to approximately RMB923,000)	**3**	3

None of the five highest-paid individuals waived or agreed to waive any remunerations for years ended 31 December 2024 and 2023. No remunerations were paid by the Group to the directors of the Company or any of the five highest-paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office for years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

12. DIVIDENDS

The board of directors of the Company does not recommend payment of any dividend for the year ended 31 December 2024 (2023: nil).

13. LOSS PER SHARE

The calculation of basic loss per share are based on the Group's loss for the year attributable to owners of the Company of approximately RMB6,914,000 (2023: RMB27,038,000) and the weighted average number of shares of 160,000,000 (2023: 160,000,000) in issue during the year ended 31 December 2024.

The diluted loss per share is the same with the basic loss per share for the years ended 31 December 2024 and 2023 since the exercise of the outstanding share options of the Company was not assumed as its exercise would have decreased in loss per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2023	144,245	32,721	4,848	571	182,385
Additions	–	88	421	–	509
Disposals	–	(5,902)	(25)	–	(5,927)
At 31 December 2023 and 1 January 2024	144,245	26,907	5,244	571	176,967
Additions	–	100	383	–	483
Disposals	(144,245)	–	–	–	(144,245)
At 31 December 2024	–	27,007	5,627	571	33,205
Accumulated depreciation and impairment					
At 1 January 2023	124,710	29,617	3,972	438	158,737
Charge for the year	634	904	282	44	1,864
Disposals	–	(5,312)	(22)	–	(5,334)
At 31 December 2023 and 1 January 2024	125,344	25,209	4,232	482	155,267
Charge for the year	637	796	358	44	1,835
Disposals	(125,981)	–	–	–	(125,981)
At 31 December 2024	–	26,005	4,590	526	31,121
Carrying amount					
At 31 December 2024	–	1,002	1,037	45	2,084
At 31 December 2023	18,901	1,698	1,012	89	21,700

As at 31 December 2023, the buildings are located in the PRC and held under medium-term lease.

During the year ended 31 December 2024, an aggregate carrying amount of approximately RMB18,264,000 (2023: nil), together with the related leasehold land classified under right-of-use assets with aggregate carrying amount of approximately RMB1,104,000 (2023: nil) (note 15), has been disposed to the independent third parties at cash consideration with aggregate amount of RMB19,500,000 (2023: nil). A gain on disposal of property, plant and equipment and right-of-use assets of approximately RMB132,000 (2023: nil) (note 7) has been recognised in profit or loss for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

15. RIGHT-OF-USE ASSETS

	Leasehold land under medium-term leases RMB'000
Carrying amount as at 1 January 2023	1,152
Depreciation charge for the year	(24)
Carrying amount as at 31 December 2023 and 1 January 2024	1,128
Depreciation charge for the year	(24)
Disposal during the year	(1,104)
Carrying amount as at 31 December 2024	–

As at 31 December 2023, right-of-use assets represented the Group's payment for leasehold land held for own use under operating leases. The leasehold land was located in the PRC and held under medium-term leases. As disclosed in note 14, right-of-use assets, together with the buildings included in property, plant and equipment, have been disposed and resulted a gain on disposal of approximately RMB132,000 recognised in profit or loss during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

16. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Cost of investment in an associate (note 29)	**112**	–
Share of result of an associate	**(112)**	–
	–	–

As at 31 December 2024 and 2023, the Group had interest in an associate with the following details:

Name of entity	Place of Incorporation/ operation	Issued and fully paid share capital	Proportion of ownership interest and voting power held by the Group		Principal activities
			2024	2023	
Wancheng HK	Hong Kong	HK$100	49% (Note)	N/A	Repackaging and sales of products in Hong Kong

Note: As further disclosed in note 29, the Group retained remaining 49% equity interest in Wancheng HK immediately after the disposal of 51% equity interest in Wancheng HK, which was completed on 22 May 2024. As a result, the fair value of the remaining equity interest retained in Wancheng HK was classified as an associate of the Group and accounted for using equity method.

The summarised financial information in respect of Wancheng HK, which are equity accounted for, is set out below:

	As at 31 December 2024 RMB'000	As at 22 May 2024 (date of acquisition) RMB'000
Non-current asset	1,567	–
Current assets	1,394	833
Current liabilities	(3,161)	(605)
Non-current liability	(465)	–
Net (liabilities)/assets	(665)	228

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

16. INTEREST IN AN ASSOCIATE (Continued)

	From 22 May 2024 (date of acquisition) to 31 December 2024 RMB'000
Revenue	–
Total expenses	(893)
Loss and total comprehensive expense for the period	(893)

The Group's share of result of Wancheng HK since the date of reclassification as an associate is set out below:

	From 22 May 2024 (date of reclassification) to 31 December 2024 RMB'000
Loss and total comprehensive expense for the period	(893)
Proportion of ownership interest held by the Group	49%
Share of result of Wancheng HK	(438)
Add: unrecognised share of result of Wancheng HK	326
Share of result of Wancheng HK, limited to the carrying amount of interest in Wancheng HK	(112)

The Group has ceased recognising its share of results of Wancheng HK under the equity method since the share of loss of Wancheng HK to be shared surpassed its carrying amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

17. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**5,319**	13,828
Work-in-progress	**182**	957
Finished goods	**3,025**	2,692
	8,526	17,477

18. FINANCIAL ASSETS AT FVTPL

	2024 RMB'000	2023 RMB'000
Held for trading:		
– Listed equity securities in Hong Kong	**9,541**	12,965

The fair value of listed equity securities are based on bid prices as quoted in the Stock Exchange as at the end of each reporting period. Financial assets at FVTPL are denominated at HK$ as at 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

19. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables arising from contracts with customers	**22,850**	41,536
Bills receivables	**–**	1,825
	22,850	43,361
Less: allowance for ECL	**(8,210)**	(12,771)
	14,640	30,590

The credit terms granted to individual customers varies on a customer by customer basis which is determined by management with reference to the creditability of a respective customer. The general credit period is 180 days (2023: 30 to 120 days).

An ageing analysis of the Group's trade and bills receivables, net of allowance for ECL, based on the invoice date, which approximates the respective revenue recognition dates, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**1,473**	4,021
More than 1 month but not more than 3 months	**2,578**	7,928
More than 3 months but not more than 6 months	**3,399**	3,824
More than 6 months but not more than 1 year	**7,190**	6,552
More than 1 year	**–**	8,265
	14,640	30,590

Details of impairment assessment of trade and bills receivables are set out in note 32(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

20. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments	**293**	900
Value-add-tax recoverable	**3,137**	1,947
Other receivables	**3,342**	3,015
Less: allowance for ECL on other receivables	**(1,959)**	(2,372)
	4,813	3,490

Details of impairment assessment of other receivables are set out in note 32(a).

21. PLEDGED BANK DEPOSITS

As at 31 December 2024 and 2023, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (note 23). As at 31 December 2024 and 2023, pledged bank deposits do not carry any interest and will mature within 6 months from the placement date.

22. CASH AND CASH EQUIVALENTS

Bank balances carry prevailing market interest at floating rates and placed with creditworthy banks with no recent history of default.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

23. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**43,009**	45,043
Bills payables	**9,984**	6,695
	52,993	51,738

The credit period granted by suppliers normally is 90 days (2023: 90 to 120 days).

An ageing analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**2,762**	5,312
More than 1 month but not more than 3 months	**12,276**	12,552
More than 3 months but not more than 6 months	**6,142**	2,867
More than 6 months but not more than 1 year	**14,957**	16,328
Over 1 year	**16,856**	14,679
	52,993	51,738

The bills payables as at 31 December 2024 and 2023 were secured by pledged bank deposits (note 21) of the Group.

24. ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Other payables	**8,762**	17,707
Other tax payables	**1,492**	92
Accruals	**2,422**	9,546
	12,676	27,345

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

25. BORROWINGS

	2024 RMB'000	2023 RMB'000
Current liabilities		
Secured bank borrowings	**28,000**	28,000
Non-current liabilities		
Unsecured borrowings	**46,573**	92,750
	74,573	120,750

As at 31 December 2024, all bank borrowings are interest bearing at PRC loan prime rate over a spread and are at interest rate of 4.4% per annum at the date of drawdown (2023: 4.4% per annum). All the bank borrowings had loan period of 1 year (2023: 1 year), which was matured in September 2025 (2023: September 2024).

As at 31 December 2024, unsecured borrowings of RMB46,573,000 (2023: RMB92,750,000) are due to the Former Director. The amount is non-trade nature, unsecured, interest-free and repayable on 30 June 2026 (2023: 30 June 2025).

As at 31 December 2024 and 2023, the bank borrowings of approximately RMB28,000,000 were secured by the leasehold land and buildings of a company wholly-owned by the Former Director.

As at 31 December 2023, the bank borrowings of approximately RMB28,000,000 were guaranteed by the corporate guarantees from a company wholly owned by the Former Director. Such corporate guarantees have been released during the year ended 31 December 2024.

The unutilised banking facilities in respect of the bank borrowings as at 31 December 2024 and 2023 amounted to RMB52,000,000, and these facilities remain valid until 2 September 2027.

26. SHARE CAPITAL

	Number of ordinary shares of HK$0.20 each '000	Amount HK$'000	Equivalent to RMB'000
Authorised, ordinary shares of HK$0.20 each			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	500,000	100,000	83,490
Issued and fully paid, ordinary shares of HK$0.20 each			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	160,000	32,000	27,909

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

27. RESERVES

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity.

The followings describe the nature and purpose of each reserve within the reserve:

Reserve	Description and purpose
(i) Share premium	Under the Companies Law (as revised) of the Cayman Islands, dividends may be paid out of the share premium account of the Company provided its articles of association permits it and the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.
(ii) Statutory reserve fund	Pursuant to the relevant PRC regulations and the Article of Association of the PRC subsidiary within the Group, the PRC subsidiary is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital of the PRC subsidiary. The transfer to this reserve shall be made before distribution of dividends to shareholders. The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital.
(iii) Capital reserve	The amount paid by the shareholders for capital injection. During the year ended 31 December 2014, the Former Director irrevocably waived the amount due to him by the Group of approximately RMB7,200,000 and the amount due to the Former Director of approximately RMB7,200,000 was classified as capital reserve of the Group.
(iv) Share option reserve	Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in administrative and other expenses with a corresponding increase in the share option reserve.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

27. RESERVES (Continued)

Reserve	Description and purpose
(v) Exchange reserve	Exchange reserve represents exchange differences relating to the translation of the financial statements of entities outside of the PRC from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of these entities.
(vi) Other reserve	The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new share from the Company.

28. SHARE OPTION SCHEME

On 23 June 2017, a share option scheme has been approved and adopted by shareholders' resolution (the "Share Option Scheme"). Unless otherwise cancelled or amended subject to resolution passed at general meeting of the Company, the Share Option Scheme will remain in force for ten years from 23 June 2017.

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants (as defined below), to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

Eligible participants (the "Participants") of the Share Option Scheme include any directors (including executive directors and independent non-executive directors) and employees of the Group, any directors or employees of a company or entity in which the Group has invested in, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, any directors or employees of any service providers of any members of the Group.

Notwithstanding any other provisions of the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time. No share option may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

28. SHARE OPTION SCHEME (Continued)

Any grant of options to any directors, chief executive or substantive shareholders (as such terms as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive directors or shareholders of the Company as the case may be. Without prior separate approval from the Company's shareholders, the maximum number of shares issued and to be issued in respect of which options granted and may be granted to a substantial shareholder or an independent non-executive director of the Company in the 12-month period up to and including the date of such grant shall not (i) exceed 0.1% of the shares of the Company in issue on the date of such grant; and (ii) have an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the board of directors of the Company at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which a share option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which a Share Option is granted; and (iii) the nominal value of a share.

Offer of a share option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

As at 31 December 2024, the number of shares may be issued in respect of which options had been granted and remained outstanding under the Share Option Scheme was 10,775,352 (2023: 12,839,352), representing 6.7% (2023: 8%) of the shares of the Company in issue at that date.

		Exercise price (note)				Number of share options				
Date of grant	Exercisable period	Before the Share Consolidation, the Rights Issue 1 and Rights Issue 2	Before the Share Consolidation and the Rights Issue 2 and after the Rights Issue 1	Before the Rights Issue 2 and after the Rights Issue 1 and the Share Consolidation	After the Share Consolidation and the Rights Issue 1 and Rights Issue 2	As at 1 January 2023	Lapsed during the year	As at 31 December 2023 and 1 January 2024	Lapsed during the year	As at 31 December 2024
10 April 2019	10 April 2019 – 9 April 2029	HK$0.78	HK$0.511	HK$2.044	HK$1.981	2,519,352	–	2,519,352	–	2,519,352
18 May 2020	18 May 2020 – 17 May 2023	HK$0.274	HK$0.18	HK$0.718	HK$0.696	3,149,200	(3,149,200)	–	–	–
20 May 2021	20 May 2021 – 19 May 2024	HK$0.131	N/A	HK$0.524	HK$0.508	2,064,000	–	2,064,000	(2,064,000)	–
6 April 2022	6 April 2022 – 5 April 2025	HK$0.1032	N/A	HK$0.413	HK$0.400	8,256,000	–	8,256,000	–	8,256,000
						15,988,552	(3,149,200)	12,839,352	(2,064,000)	10,775,352
Exercisable as at the end of the reporting period								12,839,352		10,775,352
Weighted average exercise price						HK$0.7214	HK$0.696	HK$0.7276	HK$0.508	HK$0.770

Note: The exercise price of the share options has been adjusted by (i) the share consolidation of every four existing shares of the Company were consolidated into one consolidated share of the Company on 20 September 2022 (the "Share Consolidation"), which the exercise price has been increased according to the Share Consolidation; (ii) the right issue on 8 January 2021 (the "Rights Issue 1"), which the details of the adjustments on the exercise price have been set out in the Company's announcement dated 11 January 2021; and (iii) the rights issue on 28 October 2022 (the "Rights Issue 2"), which the details of the adjustments on the exercise price have been set out in the Company's announcement dated 27 October 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

28. SHARE OPTION SCHEME (Continued)

The following table discloses movement of the Company's share options held by the directors, employees and consultants:

			Number of share options				
Category of Participants	Date of grant	Exercisable period	As at 1 January 2023	Lapsed during the year ended 31 December 2023	As at 31 December 2023 and 1 January 2024	Lapsed during the year ended 31 December 2024	As at 31 December 2024
Executive director – Mr. Wang Yun	18 May 2020	18 May 2020 – 17 May 2023	314,920	(314,920)	–	–	–
	20 May 2021	20 May 2021 – 19 May 2024	774,000	–	774,000	(774,000)	–
Executive director – Mr. Zou Yonggang	18 May 2020	18 May 2020 – 17 May 2023	314,920	(314,920)	–	–	–
	20 May 2021	20 May 2021 – 19 May 2024	774,000	–	774,000	(774,000)	–
Independent non-executive director – Ms. Ha Yee Lam Elaine	18 May 2020	18 May 2020 – 17 May 2023	314,920	(314,920)	–	–	–
(resigned on 17 June 2024)	20 May 2021	20 May 2021 – 19 May 2024	516,000	–	516,000	(516,000)	–
Employees	10 April 2019	10 April 2019 – 9 April 2029	2,204,440	–	2,204,440	–	2,204,440
	18 May 2020	18 May 2020 – 17 May 2023	2,204,440	(2,204,440)	–	–	–
	6 April 2022	6 April 2022 – 5 April 2025	8,256,000	–	8,256,000	–	8,256,000
Consultants	10 April 2019	10 April 2019 – 9 April 2029	314,912	–	314,912	–	314,912
			15,988,552	(3,149,200)	12,839,352	(2,064,000)	10,775,352

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

28. SHARE OPTION SCHEME (Continued)

During the year ended 31 December 2024, RMB479,000 (2023: RMB495,000) has been debited to share option reserve and reclassified to accumulated losses as a result of the lapse of 2,064,000 (2023: 3,149,200) share options during the year ended 31 December 2024.

The fair value of share options at grant date was calculated using the binomial option pricing model prepared by Peak Vision Appraisals Limited, the qualified professional independent valuer. The inputs into the model were as follows:

	6 April 2022	21 May 2021	18 May 2020	10 April 2019
Exercise price (HK$)*	**0.1032**	0.131	0.274	0.156
Expected volatility (%)	**135**	139	43	40
Expected option life (years)	**3**	3	3	10
Expected dividend yield (%)	**–**	–	–	–
Risk-free interest rate (%)	**0.213**	0.213	0.306	1.651
Fair value per share option at grant date (HK$)	**0.05**	0.07	0.07	0.08

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimates. The value of an option varies with different variables of certain subjective assumptions.

* The exercise price and the fair value per share option at grant date presented in the table were not adjusted for the Share Consolidation, the Rights Issue 1 and Rights Issue 2.

29. DISPOSAL OF A SUBSIDIARY

On 22 May 2024, the Company entered into a sale and purchase agreement with an independent third party of the Group (the "Purchaser") for the disposal (the "Disposal") of 51% equity interest in Wancheng HK, a wholly-owned subsidiary of the Company, at a cash consideration of HK$180,000, equivalent to approximately RMB166,000. Before the Disposal, the principal activities of Wancheng HK are repackaging and sales of products in Hong Kong. The Disposal was undertaken to expand the Group's repackaging and sales of products by leveraging the Purchaser's existing sales channels, distribution networks and customer relationships in order to boost the overall revenue and improve market shares in such industry. The Disposal was completed on 22 May 2024.

Details are set out in the Company's announcements dated 22 May 2024 and 3 June 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

29. DISPOSAL OF A SUBSIDIARY (Continued)

Immediately after the Disposal, the Company retained 49% equity interest in Wancheng Group and such equity interest was classified as interest in an associate accounted for equity method.

Analysis of identifiable assets and liabilities of Wancheng HK over which control was lost at the date of the completion of the Disposal was as follows:

	RMB'000
Trade receivables	833
Trade payables	(410)
Other payables	(195)
Net assets of Wancheng HK	228

Gain on disposal of Wancheng HK is presented as follows:

	RMB'000
Cash consideration received	166
Net assets disposed of	(228)
Add: fair value of 49% equity interest retained and reclassified as interest in the associate (note 16)	112
Add: release of exchange reserve upon disposal of a subsidiary	5
Gain on disposal of a subsidiary (note 7)	55

Net cash inflows on disposal of Wancheng HK are presented as follows:

	RMB'000
Cash consideration received	166

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

30. RELATED PARTY TRANSACTIONS

Other than those balances and transactions with related parties disclosed in elsewhere in the consolidated financial statements, the Group has the following material transactions with related parties:

Compensation to key management personnel

The directors of the Company considered that they are the only key management personnel and their remuneration has been disclosed in note 11(a).

31. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost		
Trade and bills receivables	**14,640**	30,590
Other receivables	**1,383**	643
Pledged bank deposits	**2,995**	5,953
Cash and cash equivalents	**4,099**	20,348
	23,117	57,534
Financial assets at FVTPL	**9,541**	12,965
Financial liabilities at amortised cost		
Trade and bills payables	**52,993**	51,738
Accruals and other payables	**11,184**	27,253
Borrowings	**74,573**	120,750
	138,750	199,741

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, trade and bills receivables, other receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables, accruals and other payables and borrowings. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk and equity price risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivables, other receivables, pledged bank deposits and cash and cash equivalents. As at 31 December 2024 and 2023, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited pledged bank deposits and bank balances with approved and reputable banks. The Group also held bill receivables which the counterparties are banks in the PRC. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bills receivables, pledged bank deposits and bank balances held to be delayed or limited. The directors of the Company monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 December 2024 and 2023 were minimal given that those banks are in high credit ratings.

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company have assessed the credit risk of the Group's outstanding balances of other receivables since initial recognition and the Group provide impairment based on 12m ECL. For the year ended 31 December 2024, the Group recognised reversal of impairment losses of approximately RMB413,000 (2023: impairment losses of RMB1,769,000) for other receivables based on the ECL assessment.

Trade receivables of the Group consist of a large number of customers.

The Group's policy to manage credit risk is to deal only with creditworthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and, delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is take.

Except for trade receivables with gross carrying amount of RMB3,300,000 (2023: RMB3,300,000), that are assessed individually, the Group performed impairment assessment for the remaining trade receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the impairment losses based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(a) Credit risk and impairment assessment (Continued)

The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed collectively based on provision matrix:

	Expected loss rate		Gross carrying amount assessed collectively RMB'000		Loss allowance assessed collectively RMB'000	
	2024	2023	2024	2023	2024	2023
Ageing, by invoice date						
Within 1 month	3.7%	5.0%	1,529	2,312	56	116
1-3 months	4.9%	3.5%	2,710	8,219	132	291
3-6 months	1.9%	5.1%	3,464	4,028	65	204
Over 6 months	39.3%	37.4%	11,847	23,677	4,657	8,860
			19,550	38,236	4,910	9,471

The expected loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in allowance for ECL that has been recognised for trade receivables under the simplified approach:

	RMB'000
At 1 January 2023	27,438
Impairment losses recognised	7,036
Amount net off during the year	(21,703)
At 31 December 2023 and 1 January 2024	12,771
Reversal of impairment losses recognised	(4,561)
At 31 December 2024	8,210

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay.

	Weighted average effective interest rate	Carrying amounts RMB'000	Total contractual undiscounted cash flows RMB'000	Within 1 year or on demand RMB'000	1-2 years RMB'000
As at 31 December 2024					
Trade and bills payables	**–**	**52,993**	**52,993**	**52,993**	**–**
Accruals and other payables	**–**	**11,184**	**11,184**	**11,184**	**–**
Borrowings	**4.4%**	**74,573**	**75,463**	**28,890**	**46,573**
		138,750	**139,640**	**93,067**	**46,573**
As at 31 December 2023					
Trade and bills payables	–	51,738	51,738	51,738	–
Accruals and other payables	–	27,253	27,253	27,253	–
Borrowings	4.4%	120,750	121,643	28,893	92,750
		199,741	200,634	107,884	92,750

(c) Market risk

Foreign currency risk

The Group operates in Hong Kong and the PRC with majority of the transactions being settled in HK$ and RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currencies of the group entities.

The transactions and monetary assets and liabilities denominated in currencies differ from the functional currencies of the group entities are minimal, the Group considers there is no significant foreign currency risk. Hence, no sensitivity analysis was presented.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

Interest rate risk

The Group's exposure to fair value interest rate risk relates principally to its pledged bank deposits and fixed-rate borrowings. Variable-rate bank balances expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

Since the Group's bank balances are short-term in nature, the exposure of the interest rate risk is minimal and, hence, no sensitivity to interest rate risk is presented.

The interest rate risk policies remain unchanged from prior years.

Equity price risk

The Group is exposed to equity price risk, through its investments in listed equity securities in Hong Kong classified as financial assets at FVTPL, due to the fluctuation of share prices of the financial assets at FVTPL. For these investments, the management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

If the price of the listed equity investments had been 20% (2023: 5%) higher/lower, with all other variables held constant, the loss before income tax would be decreased/increased by approximately RMB2,862,000 (2023: RMB648,000). Such decrease/increase was mainly due to the changes in fair value of the financial assets at FVTPL.

For sensitivity analysis purpose, the sensitivity rate has been increased to 30% (2023: 5%) for the year ended 31 December 2024 with reference to the price changes during the year ended 31 December 2024.

33. FAIR VALUE ESTIMATION

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

33. FAIR VALUE ESTIMATION (Continued)

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Disclosure of levels in fair value hierarchy:

At 31 December 2024

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL:				
– Listed equity securities in Hong Kong	**9,541**	**–**	**–**	**9,541**

At 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL:				
– Listed equity securities in Hong Kong	12,965	–	–	12,965

There were no transfers between levels during the years ended 31 December 2024 and 2023.

Fair value of financial instruments that are not measured at fair value on a recurring basis

The director of the Company considered that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements are not materially differ from their fair value.

34. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the directors of the Company. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue of new shares or repurchase of existing shares as well as issue of new debt or repurchase of existing debts. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets. The Group's overall strategy remains unchanged from prior years.

The externally imposed capital requirement for the Group is to have a public float of at least 25% of the total number of shares in issue in order to maintain its listing on the Stock Exchange.

The Group receives reports from major shareholders and other connected persons on any changes in shares held by them to ensure the continuing compliance with the 25% limit throughout the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investments in subsidiaries	–	–
Investment in an associate	–	–
	–	–
Current assets		
Financial assets at fair value through profit or loss	9,541	12,965
Other receivables	553	–
Amounts due from subsidiaries	–	192
Cash and cash equivalents	3,510	19,213
	13,604	32,370
Current liabilities		
Other payables	1,032	1,670
Amounts due to subsidiaries	5,205	5,038
	6,237	6,708
Net current assets	7,367	25,662
Net assets	7,367	25,662
Capital and reserves		
Share capital (note 26)	27,909	27,909
Reserves	(20,542)	(2,247)
Total equity	7,367	25,662

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The reserves movement of the Company is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	105,325	4,703	2,891	(106,906)	6,013
Loss for the year	–	–	–	(9,657)	(9,657)
Other comprehensive income for the year	–	–	1,397	–	1,397
Total comprehensive income/(loss) for the year	–	–	1,397	(9,657)	(8,260)
Lapse of share options (note 28)	–	(495)	–	495	–
At 31 December 2023 and 1 January 2024	105,325	4,208	4,288	(116,068)	(2,247)
Loss for the year	–	–	–	(19,034)	(19,034)
Other comprehensive income for the year	–	–	739	–	739
Total comprehensive expense for the year	–	–	739	(19,034)	(18,295)
Lapse of share options (note 28)	–	(479)	–	479	–
At 31 December 2024	**105,325**	**3,729**	**5,027**	**(134,623)**	**(20,542)**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	110,750	3,630	114,380
Non-cash changes:			
Interest expenses recognised (note 8)	1,647	1,425	3,072
Cash flows			
– Inflows from financing activities	38,000	–	38,000
– Outflows from financing activities	(29,647)	(5,055)	(34,702)
At 31 December 2023 and 1 January 2024	**120,750**	**–**	**120,750**
Non-cash changes:			
Interest expenses recognised (note 8)	**1,566**	**–**	**1,566**
Cash flows			
– Inflows from financing activities	**28,000**	**–**	**28,000**
– Outflows from financing activities	**(75,743)**	**–**	**(75,743)**
At 31 December 2024	**74,573**	**–**	**74,573**

Total cash flows for leases

Net cash outflows included in the consolidated statement of cash flows for lease comprise the followings:

	2024 RMB'000	2023 RMB'000
Within the operating activities	**232**	590
Within the financing activities	**–**	5,055
Total cash outflows	**232**	5,645

Financial Summary

	31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**54,472**	48,545	37,014	45,622	40,257
Loss before income tax	**(6,954)**	(27,038)	(104,035)	(54,891)	(23,956)
Income tax credit	**–**	–	–	188	1,037
Loss for the year	**(6,954)**	(27,038)	(104,035)	(54,703)	(22,919)
ASSETS AND LIABILITIES					
Total assets	**46,698**	113,651	110,185	203,275	260,114
Total liabilities	**(140,296)**	(200,986)	(171,648)	(185,022)	(200,623)
Net (liabilities)/assets	**(93,598)**	(87,335)	(61,463)	18,253	59,491
Equity attributable to owners of the Company	**(93,558)**	(87,335)	(61,463)	18,253	59,491
Non-controlling interests	**(40)**	–	–	–	–
	(93,598)	(87,335)	(61,463)	18,253	59,491