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(Incorporated in the Cayman Islands with limited liability) Stock Code: 2078

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DIRECTORS

Executive Directors

Mr. Pan Zhaolong
(Chairman and Chief Executive Officer)
Mr. Ho Pak Yiu

Independent Non-executive Directors

Dr. Cheung Wah Keung
Mr. Chan Kai Nang
Mr. Man Yiu Kwong Nick

BOARD COMMITTEES

Audit Committee

Mr. Man Yiu Kwong Nick *(Chairman)*
Mr. Chan Kai Nang
Dr. Cheung Wah Keung

Remuneration Committee

Dr. Cheung Wah Keung *(Chairman)*
Mr. Chan Kai Nang
Mr. Man Yiu Kwong Nick

Nomination Committee

Mr. Man Yiu Kwong Nick *(Chairman)*
Mr. Pan Zhaolong
Mr. Ho Pak Yiu
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

Environmental, Social and Governance Committee

Mr. Pan Zhaolong *(Chairman)*
Mr. Ho Pak Yiu
Dr. Cheung Wah Keung
Mr. Man Yiu Kwong Nick

AUTHORIZED REPRESENTATIVES

Mr. Pan Zhaolong
Mr. Ho Pak Yiu

COMPANY SECRETARY

Mr. Ho Pak Yiu

STOCK CODE

2078

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 01, 26th Floor
Tower 2, The Millennium
98 How Ming Street
Kwun Tong, Kowloon
Hong Kong

PRODUCTION BASES IN PEOPLE'S REPUBLIC OF CHINA

Long Sheng Industrial Area
No. 6 Long Sheng Road
Wolong District
Nanyang City
Henan Province
PRC

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Merchants Bank Company Limited, Foshan
Branch
The Hongkong and Shanghai Banking Corporation
Limited

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Jeffrey Mak Law Firm

WEBSITE

www.palum.com

Financial Highlights

For the year ended
December 31, 2023

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Operating results		
Revenue	1,036,675	1,611,202
Gross profit	163,782	223,032
EBITDA	87,751	5,825
Profit/(loss) for the year from continuing operations	27,299	(51,612)
Profit/(loss) attributable to owners of the Company	28,163	(104,623)
Financial position (HK\$'000)		
Net assets	721,043	716,030
Net debt	N/A	320,317
Equity attributable to owners of the Company	721,043	716,030
Profit/(loss) per share attributable to owners of the Company		
Basic and diluted (HK cents per share)	2.4	(8.7)
Key ratios		
Current Ratio	1.80	1.53
Gross profit margin	15.8%	13.8%
Gearing Ratio	N/A	30.9%
Debt to Equity Ratio	N/A	44.7%

Chairman's Statement

Dear Shareholders,

On behalf of the board ("**Board**") of directors ("**Directors**") of PanAsialum Holdings Company Limited ("**Company**") and its subsidiaries (collectively, "**Group**"), it is with great honour that I present the Group's 2023 Annual Report, reflecting on a year that has been both challenging and rewarding.

FINANCIAL PERFORMANCE IN ADVERSE CONDITIONS

The past year has been a testament to the Group's resilience, navigating through an economic climate marred by a global slowdown. Despite unpredictable aluminium prices, and the complex political-economic landscape, the Group has demonstrated robustness and strategic foresight. The decline of approximately HK\$574.5 million in total revenue driven by a decrease in sales volume and the average price of aluminium ingots presented great challenges. Nevertheless, we have achieved a positive outcome in terms of profitability and cash flow. Our gross profit margin has increased from approximately 13.8% for the year ended December 31, 2022 ("**2022**") to approximately 15.8% for the year ended December 31, 2023 ("**Year**"), underscoring our continuous enhanced operational efficiency and cost management strategies. Our operational cash flow strengthened considerably, up from HK\$168.4 million in 2022 to HK\$226.8 million.

Most notably, we reversed 2022's net loss from continuing operations of approximately HK\$51.6 million to a net profit from continuing operations of HK\$27.3 million for the Year, demonstrating our unwavering commitment to driving shareholder value.

The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this annual report.

STRATEGIC STRUCTURAL REFINEMENTS

Our strategic responses to immediate challenges have been both thoughtful and impactful. The divestment of two subsidiaries during the Year was a strategic recalibration to concentrate on our core business strengths. Concurrently, we calibrated our production in response to extrinsic risks. These actions have strengthened our balance sheet showcasing strategic planning and resilience.

In addition to these structural refinements, we are actively exploring various options to upgrade our production. This initiative is aimed at bolstering our competitive edge and ensuring that our production facilities are equipped with the latest technologies. The management is committed to make suitable arrangements to implement these enhancements, fostering a future-ready operational base that aligns with our strategic growth objectives.

COMMITMENT TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITIES

Sustainability remains a cornerstone of our corporate philosophy. Our commitment to environmental responsibility is reflected in the strategic direction set forth by our 2021 sustainability roadmap, which focuses on the transformation of our production processes and supply chain to align with the principles of green development.

Our most valuable resource is our people, at the forefront of our priorities. We value their safety and we strive to strengthen safety protocols aiming at an incident-free workplace. We continue to recognize the strength that lies in the diversity of our employees. Our ongoing initiatives are designed to celebrate and harness this diversity, fostering an inclusive corporate culture that values respect and equal opportunity for all.

STRATEGIC INITIATIVES

We are committed to the reinvention of the aluminium industry, focusing on the inherent qualities of aluminium – its infinite recyclability and role in enabling a low-carbon future. Our strategic roadmap stresses this commitment, guiding our actions towards realizing this vision.

With the support of strong technological capabilities and industrial synergy, we are ready to seize new opportunities in the market. Our investments in technology and innovation will continue to be a driving force in the pursuit of excellence and leadership in the aluminium industry.

OUTLOOK AND PROSPECTS

Looking forward, we are confident in the growth of the aluminium market. Demand is expected to rise gradually across all major end-use sectors, and as the world intensifies efforts to decarbonize global supply chains, the demand for lightweight and low-carbon aluminium products is set to surge.

Our focus remains steadfast on creating sustainable value for our stakeholders. We are dedicated to enhancing our operational efficiencies, pursuing strategic growth opportunities, and contributing to the global movement towards sustainability.

I would like to extend my deepest gratitude to our employees for their hard work and dedication, to our shareholders, customers, and partners, whose support has been instrumental in navigating the challenges of the past year. Together, we have laid a solid foundation for the Group's future.

The path ahead is full of opportunities and potential, and we believe the Group is well-placed to benefit from them.

Pan Zhaolong

Chairman & Chief Executive Officer

PanAsialum Holdings Company Limited

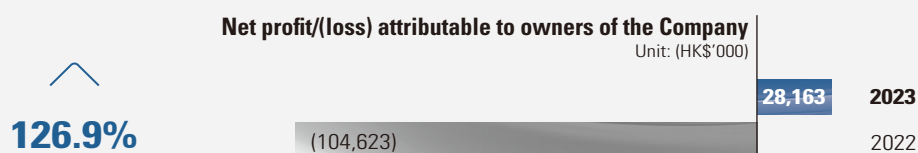
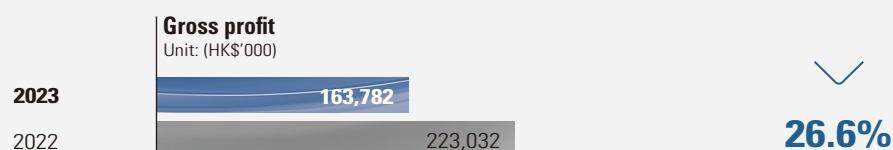
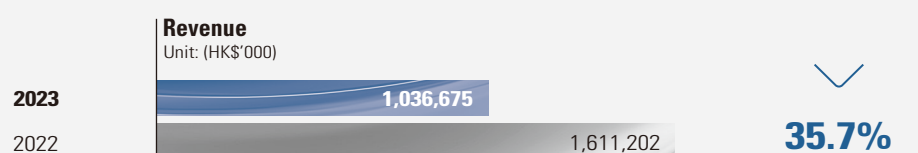
Management Discussion and Analysis

The Group is an aluminium products manufacturer and trader with production plants in the People's Republic of China ("PRC"), making and selling a large and diverse portfolio of high quality products to its customers.

PERFORMANCE OVERVIEW

For the year of 2023, despite the challenging global economic climate resulting in the slowdown in global economic growth, the Group continues to review its product segments from time to time and actively fine-tune its business portfolio to minimize controllable operational risks as well as ensure sustainable growth in revenue and profits. On the other hand, the gross profit margin was enhanced steadily through our continuously effective cost control and improvement of operating efficiency.

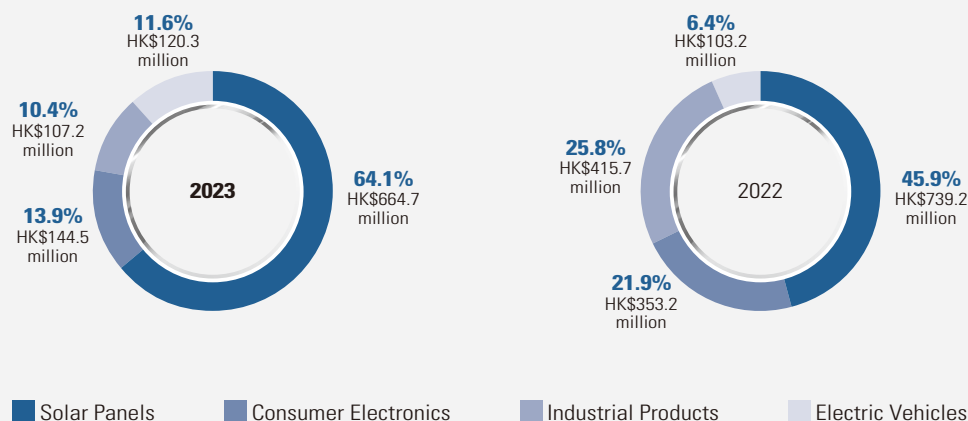
The Group's revenue, gross profit, EBITDA, net profit/loss attributable to owners of the Company for the years ended December 31, 2023 and 2022 together with comparison figures are as follows:



For the year ended December 31, 2023 ("Year"), the overall sales volume of the Group was approximately 34,724 tonnes, representing a year-on-year decrease of 29.0% compared with that for last year. The Group recorded revenue of approximately HK\$1,036.7 million for the Year, representing a decrease of approximately 35.7% as compared to the year ended December 31, 2022. Due to the sustained endeavours in cost containment and enhancements in production efficacy, the gross profit margin of the Group increased to approximately 15.8% for the Year (year ended December 31, 2022: approximately 13.8%). The profit attributable to owners of the Company amounted to approximately HK\$28.2 million for the Year, representing a sharp increase by 126.9% as compared to the net loss for the year ended December 31, 2022.

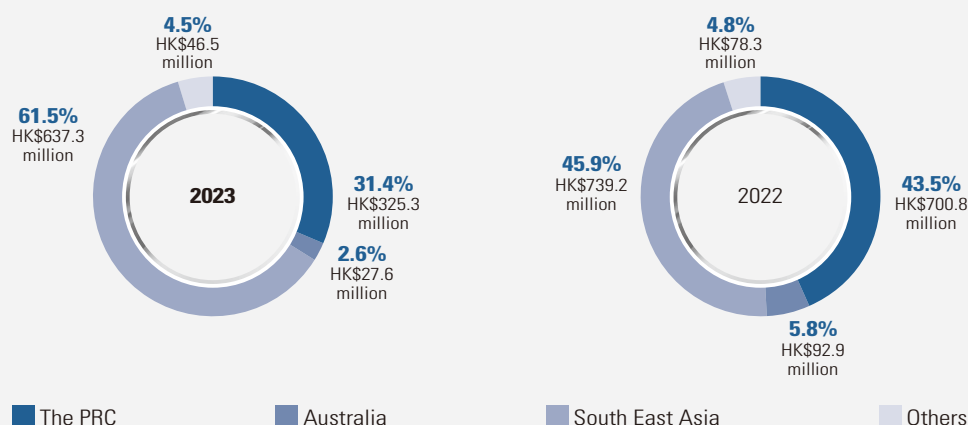
Revenue

The following table shows the breakdown of revenue by products for years ended December 31, 2023 and 2022:



The Group's revenue derived from Solar Panels, Consumer Electronics, Industrial Products and Electric Vehicles for the Year was approximately HK\$664.7 million, HK\$144.5 million, HK\$107.2 million and HK\$120.3 million respectively, accounting for approximately 64.1%, 13.9%, 10.4% and 11.6% of the total revenue, respectively. When compared to the year ended December 31, 2022, these indicates a decrease of 10.1% in Solar Panels, 59.1% in Consumer Electronics, and 74.2% in Industrial Products, while Electric Vehicles observed an increase of 16.6%. The overall contraction in revenue was primarily attributable to (i) the drop in the average price of aluminium ingot leading to the drop in the average price of the sales as compared to that of 2022, (ii) the decrement in the sales volume due to the slowdown in the economic growth, and (iii) certain technology under development which are not yet in the mass production stage.

The following tables shows the breakdown of revenue by geographical location for years ended December 31, 2023 and 2022:



The Group recorded an overall decrease in all geographic locations, primarily the PRC and South East Asia, representing a decrease of approximately 53.6% and 13.8% for the Year as compared with 2022. Despite the overall decrease was mainly caused by the drop in the average price of aluminum ingot leading to the drop in the average price of the overall sales for the Year as compared to that of 2022, the decrease in the PRC market was mainly due to the sluggish demand for Consumer Electronics and Industrial Products.

Cost of Sales

The Group's cost of sales shrank by 37.1% from approximately HK\$1,388.2 million for the year ended December 31, 2022 to approximately HK\$872.9 million for the Year. Such decrease was mainly due to the decrease in sales volume and the Group's continuous implementation of effective stringent cost control measures, which led to the decrease in average unit cost.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit amounted to approximately HK\$163.8 million (December 31, 2022: approximately HK\$223.0 million) and the overall gross profit margin amounted to approximately 15.8% (December 31, 2022: approximately 13.8%). The increase of the Group's overall gross profit margin was primarily due to the increased gross profit margin from Solar Panels and Electric Vehicles, combined with our continuous effective management of costs and optimisation of product mix.

Distribution and Selling Expenses

Distribution and selling expenses decreased to approximately HK\$30.6 million for the Year from approximately HK\$55.4 million for the year ended December 31, 2022, which was primarily contributed by the decrease in transportation costs, and salaries and benefit expenses. The drop in transportation costs was mainly attributable to a combined effect of an increase in the proportion of sales with less transportation costs and decrease in sales. The decrease in salaries and benefit expenses was primarily due to a decrease in number of staff during the Year.

Administrative Expenses

Administrative expenses mainly comprise research and development costs, salaries and benefit expenses, government levies, depreciation charges, reversal of impairment loss on inventories and loss on disposal of fixed assets. Administrative expenses decreased to approximately HK\$197.0 million for the Year from approximately HK\$304.8 million for the year ended December 31, 2022, which was primarily due to a decrease in impairment loss on properties, plant and equipment, impairment loss on prepayments, depreciation and salaries and benefit expenses of the Group offset by increase in loss on disposal of fixed assets for the Year as compared with those for the year ended December 31, 2022.

Other Income

Other income decreased from approximately HK\$69.5 million for the year ended December 31, 2022 to approximately HK\$36.1 million for the Year. Such decrease was primarily contributed by the decrease in custom refunds of our overseas operations and government grants, offset by the gain from write back of contract liabilities.

Other Gains/losses – Net

Other losses was approximately HK\$1.1 million for the year ended December 31, 2022 and other gain was approximately HK\$7.7 million for the Year. The primary contributor to the increase during the Year was the gain on settlement of derivative financial instruments of approximately HK\$7.5 million during the Year.

During the Year, the Group entered into aluminum future contracts in order to manage its exposure to the price risk of aluminium. The gain on settlement of derivative financial instruments—aluminum future contracts was approximately HK\$7.5 million during the year, compared with the loss of approximately HK\$7.0 million for the year ended December 31, 2022.

Finance Income

Finance income increased from approximately HK\$0.7 million for the year ended December 31, 2022 to approximately HK\$3.5 million for the Year primarily attributable to interest income earned on bank deposits. The enhancement in the finance income is a reflection not only of the prudent management of our cash reserves, which led to higher interest earnings, but also of significant improvements in our cash flow management that enabled the Group to increase the bank deposits and consequently, the interest income.

Finance Costs

Finance costs amounted to approximately HK\$13.1 million for the Year compared to approximately HK\$22.6 million for the year ended December 31, 2022. The decrease in finance costs was primarily due to the repayment of bank loans, resulting in a decrease in interests as compared with the year ended December 31, 2022.

Profit/loss before Income Tax for the Year from Continuing Operations

For the reasons stated above, the Group recorded a profit before income tax from Continuing Operations of approximately HK\$2.6 million during the Year and a loss before income tax from Continuing Operations of approximately HK\$65.0 million during the year ended December 31, 2022.

Profit/loss before Income Tax for the Year from Discontinued Operation

The profit before income tax from Discontinued operation for the Year was approximately HK\$0.9 million as the Company decided to discontinue the business of investment properties segment. The primary contributor to the profit during the Year was gain on disposal of the discontinued operation of approximately HK\$3.4 million offset by the administrative expenses from Discontinued Operation of approximately HK\$3.2 million. The loss before income tax for the year from Discontinued operation for the year ended December 31, 2022 was approximately HK\$53.0 million and it was primarily contributed by fair value loss of investment properties from Discontinued operation of approximately HK\$52.5 million.

Income Tax Credit

Income tax credit for the Year mainly represented the tax credit in relation to the over-provision of tax payable in the PRC in respect to prior years, offset by the amount of current tax payable. Income tax credit increased from approximately HK\$13.4 million for the year ended December 31, 2022 to approximately HK\$24.7 million for the Year.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Disposal of Entire Equity Interest of PanAsia Enterprises (Jiangmen) Co., Ltd. (榮陽實業(江門)有限公司)*

Reference is made to the announcements of the Company dated January 9, 2023, January 16, 2023 and March 17, 2023 and the circular of the Company dated March 24, 2023. On January 9, 2023, PanAsia Aluminium Limited and PanAsia Aluminium (China) Co., Ltd.* (榮陽鋁業(中國)有限公司) (collectively, “**Vendors**”), PanAsia Enterprises (Nanyang) Co., Ltd.* (榮陽實業(南陽)有限公司) (as the Vendors’ guarantor), Jiangmen Jiantai Enterprises Co., Ltd.* (江門市健泰實業有限公司) (“**Purchaser**”), Jiangmen Zhenyi Enterprises Co., Ltd.* (江門市鎮怡實業有限公司) (as the Purchaser’s guarantor) and PanAsia Enterprises (Jiangmen) Co., Ltd.* (榮陽實業(江門)有限公司) (“**Disposal Company**”) entered into sale and purchase agreement (“**SPA**”), pursuant to which, amongst others, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest in the Disposal Company, at the consideration of approximately RMB34.8 million (subject to adjustment) (“**Disposal**”). On March 17, 2023, the Vendors, the Purchaser and the Disposal Company have entered into a waiver letter in relation to, amongst others, certain arrangements in relation to the discharge and release of collaterals in relation to the loans in the total outstanding amount of approximately RMB105.2 million owing by the Disposal Company to a bank in the PRC. The Disposal constituted a major transaction of the Company and the Company has obtained written approval for the SPA and the transactions contemplated hereunder in accordance with Rule 14.44 of the Listing Rules from Easy Star Holdings Limited, which is the beneficial owner of 900,000,000 Shares (representing approximately 75.0% of the entire issued share capital of the Company). Completion took place on March 24, 2023 and the final adjusted consideration was RMB35,971,340.

* For identification purpose only

Based on the final consideration (after adjustment), the Group recorded a net gain of approximately HK\$9.6 million as a result of the Disposal. The actual gain/loss was determined based on the actual amount received by the Group and the obligations of the Group under the SPA (including but not limited to the indemnity provided by the Group in respect of third party liabilities arising from events subsisting before the date of completion, e.g. compensation relating to the legal dispute between the Disposal Company and the contractor on constructions on the land).

Disposal of 100% Equity Interest of Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd. (昌吉准東經濟技術開發區宏睿鋁業有限公司)*

Reference is made to the announcement of the Company dated December 19, 2023. On December 19, 2023, PanAsia Aluminium (China) Co., Ltd.* (滎陽鋁業(中國)有限公司) (“**Changji Vendors**”), Suzhou Boneng Luyao Technology Co., Ltd.* (蘇州博能爐窯科技有限公司) (“**Changji Purchaser**”), and Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd.* (昌吉准東經濟技術開發區宏睿鋁業有限公司) (“**Changji Zhundong**”) entered into sale and purchase agreement, pursuant to which, amongst others, the Changji Vendors have conditionally agreed to sell and the Changji Purchaser has conditionally agreed to purchase the entire equity interest in Changji Zhundong at the consideration of RMB16.4 million (“**Changji Disposal**”).

Completion of the Changji Disposal took place on December 30, 2023. Based on the consideration, the Group recorded a net gain of approximately HK\$3.5 million as a result of the Changji Disposal.

Save as disclosed, the Group did not have any other significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

EVENT AFTER REPORTING PERIOD

Amendments to Share Award Scheme

On March 1, 2024 (“**Amendment Date**”), the Company has amended its share award scheme (the “**Share Awards Scheme**”) by way of adopting a new set of scheme rules (as amended and restated). The Share Award Scheme was adopted on March 3, 2014 which is valid and effective for a term of ten years from its adoption date, subject to any early termination as may be determined by the Board.

The maximum number of Shares to be purchased by the trustee shall not exceed five per cent. (5%) of the issued shares of the Company as at the Amendment Date, i.e. 60,000,000 Shares throughout the term of the Share Award Scheme. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Amendment Date and ending on the tenth (10th) anniversary of the Amendment Date. For details, please refer to the announcement of the Company dated March 1, 2024.

The Share Award Scheme does not constitute a share scheme involving the issue of new Shares as referred to in Chapter 17 of the Listing Rules and hence will only be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2023 and up to the date of this report.

* For identification purpose only

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly used its internally generated cashflow and borrowings for its capital expenditure and working capital. As at December 31, 2023, the Group's financial position included approximately HK\$226.2 million in cash and cash equivalents, up from approximately HK\$73.7 million as at December 31, 2022, and approximately HK\$82.7 million in pledged bank deposits and time deposits, an increase from approximately HK\$56.1 million as at December 31, 2022. Interest-bearing borrowing stood at approximately HK\$210.6 million, a decrease from approximately HK\$394.0 million as at December 31, 2022, with all borrowings denominated in RMB. The growth in cash reserves and the reduction in debt levels can be attributed to the Group's strategic improvements in credit management, capital allocation, and debt restructuring.

BORROWINGS

Particulars of borrowings of the Group as at December 31, 2023 are set out in Note 29 to the consolidated financial statements.

PLEGGED ASSETS

As at December 31, 2023, assets with a total carrying amount of approximately HK\$206.6 million (December 31, 2022: approximately HK\$322.7 million) of the Group were pledged, including property, plant and equipment, right-of-use assets and bank deposits for the Group's bills payables and borrowings.

SUMMARY OF KEY FINANCIAL RATIOS

	Year ended December 31, 2023	Year ended December 31, 2022
Gross Profit Margin ⁽¹⁾	15.8%	13.8%
Return on Equity ⁽²⁾	3.9%	-14.6%
Interest Coverage Ratio ⁽³⁾	1.27	-4.24
	As at December 31, 2023	As at December 31, 2022
Current Ratio ⁽⁴⁾	1.80	1.53
Quick Ratio ⁽⁵⁾	1.58	1.31
Gearing Ratio ⁽⁶⁾	N/A	30.9%
Debt to Equity Ratio ⁽⁷⁾	N/A	44.7%

- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit attributable to owners of the Company divided by equity attributable to owners of the Company and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.
- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on net debt (total borrowings less cash and cash equivalents) divided by sum of total equity and net debt multiplied by 100%.
- (7) The calculation of Debt to Equity Ratio is based on total borrowings less cash and cash equivalents divided by total equity multiplied by 100%.

CAPITAL STRUCTURE

As at December 31, 2023 and December 31, 2022, the Company's issued share capital was HK\$120,000,000, divided into 1,200,000,000 shares of HK\$0.1 each.

FOREIGN EXCHANGE RISK

The Group continued to receive United States Dollar ("USD") and RMB from the sales to major customers during the Year, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of USD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of USD and RMB may have an impact on the operating results of the Group.

COMMODITY PRICE RISK ON ALUMINIUM

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. Any change in prices of aluminium could affect the Group's financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

The Group recognized a total gain on derivative financial instruments of approximately HK\$7.5 million during the Year (December 31, 2022: total loss of approximately HK\$7.0 million). Management considers the fluctuation on the commodity price of aluminium do not have a significant impact on the Group's earnings and cash flows in the long run.

CAPITAL COMMITMENTS

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2023 amounted to approximately HK\$16.1 million (December 31, 2022: approximately HK\$197.6 million), which was mainly related to the acquisition of plant and machineries in the PRC.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year 2023 (2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph headed "Outlook and Prospects", the Group had no other future plans for material investments or capital assets as at December 31, 2023.

CONTINGENT LIABILITIES

As at December 31, 2022 and 2023, the Group had no significant contingent liabilities.

EMPLOYEE INFORMATION AND REMUNERATION POLICIES

As at December 31, 2023, the Group employed approximately 842 staff (December 31, 2022: approximately 1,179). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and share incentives. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Year, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$74.5 million (year ended December 31, 2022: approximately HK\$115.4 million).

The Directors' fees are subject to shareholders' approval at general meetings every year. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance, the results of the Group and the prevailing market rates.

Biographical Details of Directors and Senior Management

Set out below are the biographical details of the Company's directors and senior management as at the date hereof:

EXECUTIVE DIRECTORS

Mr. Pan Zhaolong – Chairman and Chief Executive Officer

Mr. Pan Zhaolong ("**Mr. Pan**"), aged 31, has been appointed as an executive director, a member of the nomination committee, and an authorised representative of the Company, with effect from August 6, 2020. Mr. Pan has also been appointed as the chairman of the environmental, social and governance committee and the chief executive officer of the Company on February 10, 2021 and September 15, 2021, respectively. He has been appointed as the Chairman since July 1, 2022. Mr. Pan oversees the daily operations as the general manager of a major subsidiary and director of certain subsidiaries of the Company.

Growing up within the Company, Mr. Pan has always been invested and involved in the business. He thus has a holistic understanding of the manufacturing sector, where he has been formally working since 2011. He started his career with Foxconn Technology Co., Ltd. in 2011, and founded TySr Industrial Company Limited in November 2012. Mr. Pan was also the managing director of said company from July 2014 to April 2015. From August 2017 to June 2018, Mr. Pan took a sabbatical to study Art History at Tsinghua University before pursuing humanitarian work as a First Responder in Amman, Jordan from July 2018 to February 2020. Mr. Pan graduated from Harrow School, London, in 2010.

Mr. Ho Pak Yiu

Mr. Ho Pak Yiu ("**Mr. Ho**"), aged 38, is the executive director, chief financial officer a member of each of the nomination committee (and the environmental, social and governance committee, and the authorised representative of the Company. He has been appointed as the company secretary of the Company with effect from December 1, 2022. He has over 10 years of experience in accounting, auditing and finance industry. Prior to joining the Group, he served at Universal Crown Link Holdings Limited including its subsidiaries from December 2016 to May 2022, with his last position as executive director, chief financial officer and company secretary, where he was responsible for the overall management of accounting, financial and compliance matters. From March 2015 to September 2016, he worked as the chief financial officer at PanAsia Aluminium Pty Ltd., a wholly-owned subsidiary of the Group. Between April 2015 to September 2016 he also worked as an assistant to the Group's chief financial officer. From March 2010 to November 2013, Mr. Ho worked at PricewaterhouseCoopers Limited with his last position as a manager in the Assurance Department. From February 2008 to February 2010, he worked in a local accounting firm.

Mr. Ho graduated with a degree of Bachelor of Arts in Accounting with Business Studies at Middlesex University in London in February 2008. He was admitted as a Certified Practising Accountant in Australia in November 2013, an associate and a fellow member of the Hong Kong Institute of Certified Public Accountant in July 2011 and September 2018 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wah Keung

Dr. Cheung Wah Keung (“**Dr. Cheung**”), aged 63, has been appointed as an independent non-executive director and chairman of the remuneration committee of the Company since March 22, 2018, and the member of the environmental, social and governance committee of the Company since February 10, 2021. He was the Independent Non-executive Chairman from August 2, 2019 to July 1, 2022. He was also a member of the audit committee and the nomination committee of the Company from March 22, 2018 to February 10, 2021, and again from June 28, 2021 and May 18, 2022 respectively. Dr. Cheung holds a Bachelor’s Degree in Business Administration and a Master Degree in Global Political Economy from the Chinese University of Hong Kong, and a Master Degree in Corporate Governance and a Doctoral Degree in Business Administration from the Hong Kong Polytechnic University.

Dr. Cheung has an extensive experience and understanding of the international market. He is currently the chairman of Shinhint Group and Tai Sing Industrial Company Limited. He has more than 30 years of experience in trading and manufacturing of consumer electronic products. He is currently an independent non-executive director of Casablanca Group Limited (stock code: 2223) since May 2017; Activation Group Holdings Limited (stock code: 9919) since December 2019 and Sinomax Group Limited (stock code: 1418) since June 2023. Dr. Cheung was an independent non-executive director of Sky Light Holdings Limited (stock code: 3882) since June 2015 to February 2023.

Dr. Cheung was awarded as “Young Industrialist of Hong Kong” in 2005 and received the “Certificates of Merit in Directorship” by the Hong Kong Institutes of Directors in 2006. He has taken up a variety of roles, including the President of the Hong Kong Young Industrialists Council from 2015 to 2016, the chairman of both the Departmental Advisory Committee of Marketing Department of the City University of Hong Kong and the Advisory Board for Master of Corporate Governance of the Hong Kong Polytechnic University. Furthermore, he is a member of the Council of the Hang Seng University of Hong Kong. Dr. Cheung has also been part of the board of directors of the Hong Kong Academy of Gifted Education from April 2020.

Mr. Chan Kai Nang

Mr. Chan Kai Nang (“**Mr. Chan**”), aged 78, has been appointed as an independent non-executive Director, a member of both the audit committee, the nomination committee and remuneration committee of the Company on January 1, 2020. Mr. Chan was also an independent non-executive director of the Company from February 24, 2017 to January 24, 2018. Mr. Chan holds a Postgraduate Diploma in Management Studies from The University of Hong Kong and a Bachelor’s degree of Laws from the University of London. Mr. Chan also completed the Stanford Executive Program of the Graduate Business School of Stanford University and the Senior Transport Management Programme from the Ashridge Centre for Transport Management. Mr. Chan is an associate member of the Chartered Institute of Management Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Certified Accountants. During the past 47 years, Mr. Chan worked as senior executive in major multinational and local corporations engaged in different industries, ranging from textile, toys, electronics, and electrical manufacturing, transportation, property developments and hotel operations, as well as construction materials manufacturing (including cement and steel slake).

Mr. Chan is currently an independent non-executive director of Soundwill Holdings Limited (stock code: 878) since March 2009. He was an independent non-executive director of Burwill Holdings Limited (stock code: 24) from September 2020 to August 2021.

Mr. Man Yiu Kwong Nick

Mr. Man Yiu Kwong Nick (“**Mr. Man**”), aged 54, has been appointed as the independent non-executive Director, a member of each of the audit committee, nomination committee, remuneration committee and the environmental, social and governance committee of the Company since November 1, 2022. Mr. Man has then been re-designated as the chairman of the Audit Committee and the Nomination Committee with effect from April 1, 2023. Mr. Man is currently the independent non-executive director of Global International Credit Group Limited (stock code: 1669), a company listed on the Main Board of the Exchange, since January 1, 2016. Mr. Man has over 20 years of experience in the corporate finance field. Mr. Man obtained a Bachelor’s Degree of Business Administration from Simon Fraser University, Canada in October 1993. He has been an associate member of Hong Kong Institute of Certified Public Accountants since January 2000 and a fellow member of the Association of Chartered Certified Accountants since September 2003.

SENIOR MANAGEMENT TEAM

Mr. Jiang Heyun

Mr. Jiang Heyun (“**Mr. Jiang**”), aged 47, joined the Group in 2012. Mr. Jiang is currently the director and project director of PanAsia Enterprises (Nanyang) Company Limited and PanAsia Aluminum (Shenzhen) Limited respectively, subsidiaries of the Group. Mr. Jiang has been an added value over the past ten years, providing the Company with sound technical expertise and valuable field experience in manufacturing. His work has always been in line with the Company’s core values and helped it to thrive further.

Prior to joining the Group, Mr. Jiang worked as the Quality Manager of various notebook projects at Foxconn Technology Group, from 2008 to 2012, chiefly responsible for the quality management of the electronic products. He also worked as the Quality Section Head and Quality Engineer in the CCPBG product business group, from 2000 to 2012.

Mr. Jiang graduated from the Hunan Textile College, specializing in textile engineering.

Mr. Li Yutao

Mr. Li Yutao (“**Mr. Li**”), aged 42, joined the Group in 2012. Mr. Li is currently the Deputy General Manager, Deputy Factory Manager and Legal Representative of PanAsia Enterprises (Nanyang) Company Limited, a subsidiary of the Group. Mr. Li has demonstrated his added value for the Company, of which he holds a full understanding.

Prior to joining the Group, Mr. Li worked as the Head of the Planning Section of Foxconn, from March 2006 to June 2012. He was also responsible for the production coordination work of the CNB business office of the CCPBG business group. Mr. Li graduated from Kaifeng University.

Mr. Ma Jun

Mr. Ma Jun (“**Mr. Ma**”), aged 46, joined the Group in 2011. Mr. Ma is currently the project director of PanAsia Aluminum (Shenzhen) Limited, a subsidiary of the Group; Mr. Ma is responsible for the day-to-day management work of the company’s quality, technology, and IT and is one of the core backbone members of the technical team for product development of the Company.

Prior to joining the Group, Mr. Ma was engaged in quality control at the Precision Organizational Rapid Manufacturing Center of the Foxconn Group, from October 2004 to July 2011, and has over 20 years’ working experience in the area of factory management. Mr. Ma graduated from the Anhui College of Finance and Trade (安徽財貿學院).

This report is presented by the board ("**Board**") of directors ("**Director(s)**") of the Company comprising, Mr. Pan Zhaolong, Mr. Ho Pak Yiu, Dr. Cheung Wah Keung, Mr. Chan Kai Nang and Mr. Man Yiu Kwong Nick based on the information available to them for the year ended December 31, 2023 ("**Year**").

GENERAL INFORMATION

The Group is principally engaged in the manufacturing and trading of aluminium products. The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in Note 19 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

The business review for the Company during the Year is set out in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this report.

ENVIRONMENTAL PERFORMANCE

The Company is committed to building its own brand by way of sustainable development. The Company is very concerned about the environmental impact of emissions generated from operations and is committed to the implementation of environmental protection measures. With the implementation of the "Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution" by Nanyang plant, impacts on the environment are reduced as waste water, exhaust gas and noise generated during the process of operation are put under control.

Apart from it, the Company also developed the "Control Procedures for the Disposal of Hazardous Wastes" for the control of environmental pollution resulted from disposed wastes, "Control System for Energy Saving and Emission Reduction" according to relevant laws and regulations of the PRC in respect of energy saving, and "Control Procedures for Non-compliance of Environmental Safety", which differentiates different types of environmental safety incidents, and clearly defines the management process. The Company strives to explore the business models of sustainable development, integrate environmental management and social care into its business decisions.

For details, please refer to the Environmental, Social and Governance Report 2023 of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Company.

The Company's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself was incorporated in Cayman Islands and listed on The Stock Exchange of Hong Kong Limited ("**Exchange**") in Hong Kong. The Company's establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and the PRC. The Board as a whole is responsible to ensure the Company is in compliance with relevant laws and regulations that have a significant impact on the Company.

During the course of the business operations, the Company shall comply with different laws and regulations, including, but not limited to, (i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; and (ii) the PRC national and local laws and regulations with respect to environmental protection, including the Environmental Protection Law of the PRC. For the Year, the Company was in strict compliance with these said laws and regulations.

KEY RELATIONSHIPS WITH STAKEHOLDERS

1. Employees

Human resources are the most valuable asset of the Company. Developing and retaining talents are vital to the Group's success. The Company is committed to providing employees with a safe, pleasant and healthy working environment. The Company rewards and recognizes employees by competitive remuneration package, implements a key performance index evaluation program with appropriate incentives, and promotes career development by providing opportunities for career advancement to employees. In addition, each department of the Company is responsible for determining its training needs for employees and workers in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Company for approval. Knowledge, skills and capacities of employees are vital to continuous improvement, business growth and success of the Company. The Company strives to ensure that all employees can fulfill as well as enhance the relevant job qualifications in terms of education, training, technical and work experience.

2. Suppliers

The Group has developed long term relationships with various vendors and ensures that they share the Group's value and commitment to quality, ethics and environment. Suppliers are selected carefully and are required to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products, quality control effectiveness and environmental issues.

3. Distributors and Customers

The Group sells products to distributors and customers. Distributors and customers are required to comply with the relevant laws and regulations, credit policy, as well as the Group's sales and marketing policies, including but not limited to selling price, promotional activities and use of the Group's ordering system. The Group also monitors the financial condition as well as repayment capability and timeliness of the distributors and customers, and their sales performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to various risks and uncertainties which are disclosed in Note 3 to the consolidated financial statements of this report. The effects of such risks may vary over time. The following paragraphs set forth material risks classified by the Company and the relevant alleviating measures for each material risk for the management of such risks.

Business Risk

Most of the Group's revenue was generated from customers in the PRC and South East Asia. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and South East Asia and the Group is unable to divert sales to other markets outside of the PRC and South East Asia, the turnover, profitability and prospects may be adversely affected. In order to alleviate such risk, the Group will put efforts to expand overseas market and increase the proportion of overseas sales. During the Year, the Group has continued to export sales to the United Kingdom and North America, etc. The Group will also continue to review competitive edges of the Group in the industry and the market trend. The Group also acknowledges that the overall performance of the Group's sales is inherently subject to risks associated with international trade and global economic conditions. The influence of surging inflation, rising interest rates, intensified market competition and the occurrence of similar events may result in a decrease in demand for the Group's products and a reduction of the Group's revenue.

The Company's production activities of aluminium profiles rely on, among other things, sufficient and uninterrupted supply of aluminium ingots, being the principal raw materials. The Company procures such principal raw materials from several major suppliers and does not have any long-term purchase contracts with those major suppliers. In order to alleviate such business risk, the Company will conduct review and assessment on the Company's suppliers periodically to ensure stable supply source of raw materials. The Group will also consider to enter into long-term purchase contracts with them which is able to provide the Group with flexibility in purchasing principal raw materials such as aluminium ingots at competitive prices at various times. The outbreak of any severe communicable disease, such as the COVID-19 pandemic in 2022, if uncontrolled, could have an adverse effect on the operations, the overall business sentiments and the environment in the PRC and South East Asia, which in turn could have an adverse impact on the domestic and international consumption and, possibly, the overall business growth of the Group.

Financial Risks

Delinquent payments of customers who were granted credit terms by the Company will increase the Company's exposure to financial risks and have impacts on the financial performance and operating cash flows of the Company. In order to alleviate such risk, the Company has conducted regular review of accounts receivable due from all customers to control the outstanding amounts and ageing. The Company will also continue to manage and maintain strict control internally and devote additional efforts in collecting overdue trade receivables on a timely basis.

Cyber Security Risk

During the Year, the Company obtained the foundation for implementing phase-by-phase cyber risk vulnerability controls management and evaluation objectives with reference to CoBit by Information Systems Audit and Control Association (ISACA). The cyber security plan includes, but not limited to, enhancing the following: (1) training and staff development; (2) secure wireless networks; (3) keep software updated; (4) access control management; (5) boundary defence; and (6) backup and recovery of data.

The Company has internal control on data-fraud. The Company always values the importance of the internal control systems, and has been taking into account certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by the internal audit in their audit planning and objectives when assessing the effectiveness of internal controls. Such systems are designed to manage rather than eliminate the risk of fraud or failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Environmental and Social Risks

The environmental and social risks encountered by the Group include, amongst others, those arising from whether safety and environmental protection standards are met by the production of the products, management of human resources, sales, supply chains and information system, insufficient innovation, inspection and verification of technologies and products. In view of the above risks, the Group has focused on the control and monitoring of dust, high temperature and chemical hazard, discharged sewage according to the total amount and concentration allowed under the pollutant discharge license, formulated the status-quo assessment on energy conservation and emission reduction as well as medium and long term planning, timely updated the staff handbook and implemented applicable labor laws and regulations, introduced advanced technologies and talents, and solved the innovation problems through technological exchange and cooperation. Meanwhile, the Group strives to inspect regularly and maintain the facilities of the information system and provide staff training.

Legal Risks

The legal risks encountered by the Group include, amongst others, those arising from the physical or existing default operations, legal disputes, default behaviours, intellectual property and human rights protection. In view of the above risks, the Group has implemented the measures such as the contracts review and approval procedure with the routine support of the general legal advisor and regular third-party audit to monitor the compliance so as to mitigate the impact of such risks on the Group.

DIVIDEND POLICY

The amount of dividend actually distributed to the shareholders of the Company ("**Shareholder(s)**") will depend upon the earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of the Shareholders.

The payment of dividends by the Company is also subject to the requirements of the Cayman Islands law and the articles of association of the Company ("**Articles of Association**").

RESULTS AND DISTRIBUTION

No interim dividend was declared for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil) and the Board does not recommend payment of a final dividend in respect of the Year (year ended December 31, 2022: Nil).

There is no arrangement pursuant to which a Shareholder has waived or agreed to waive any dividends.

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on pages 49 to 50 of this report.

FINANCIAL STATEMENTS

The statements of the results, assets and liabilities of the Group for the last five financial years/period are set out on page 114 of this report. This summary does not form part of the audited consolidated financial statements to the Group.

RESERVES

Movements in the reserves of the Group during the Year are set out on page 53 of this report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Articles of Association. With the sanction of an ordinary resolution, dividends may be declared and paid out of the share premium account of any other fund or account which can be authorized for this purpose. As at December 31, 2023, the Company had nil balance of distributable reserves (December 31, 2022: Nil).

SHARE CAPITAL

Changes in share capital of the Company for the Year and as at that date are set out in Note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

On January 18, 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options for the subscription of the Company's shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group ("**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme is 120,000,000 shares which is equivalent to 10% of the issued capital of the Company after the completion of the global offering ("**Global Offering**", as defined in the prospectus dated January 23, 2013) and the issued share capital of the Company as at the date of this annual report. The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the Shareholders in a general meeting, the number of shares that may be granted to any one Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Exchange ("**Listing Rules**")), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum vesting period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date. Accordingly, the Share Option Scheme expired on January 18, 2023.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. As at January 1, 2023 and December 31, 2023, the total number of options available for grant under the Scheme Mandate Limit and available for issue under the Share Option Scheme were 48,000,000 and 0 respectively. There was no service provider sublimit set under the Share Option Scheme.

As at the date hereof, no outstanding number of option is available for issuance under the Share Option Scheme.

Details of the share options movements during the Year under the Share Option Scheme are as follows:

Name or category of grantee	Date of grant of share options	Exercise price (HKD)	Exercise period	Balance as at January 1, 2023	Number of share options				Balance as at December 31, 2023
					Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	
Directors									
Mr. Leung Ka Tin ^(Note 4)	23/12/2019	0.396	23/12/2019 – <small>(Note 1) 22/12/2029 (Note 2)</small>	1,200,000	–	–	(1,200,000)	–	–
Dr. Cheung Wah Keung	23/12/2019	0.396	23/12/2019 – <small>(Note 1) 22/12/2029 (Note 2)</small>	1,200,000	–	–	–	–	1,200,000
Mr. Chan Kai Nang	23/12/2019	0.396	23/12/2019 – <small>(Note 1) 22/12/2029 (Note 2)</small>	1,200,000	–	–	–	–	1,200,000
Other Participants									
Employees	23/12/2019	0.396	23/12/2019 – <small>(Note 1) 22/12/2029 (Note 2)</small>	11,192,000	–	–	(2,760,000)	–	7,232,000
Service providers ^(Note 3)	23/12/2019	0.396	23/12/2019 – <small>(Note 1) 22/12/2029 (Note 2)</small>	10,800,000	–	–	–	–	10,800,000
Total				25,592,000	–	–	(3,960,000)	–	21,632,000

Notes:

- * Save as disclosed herein, there are no other Directors, chief executive or substantial shareholders of the Company, or their respective associates that have been granted share options pursuant to the Share Option Scheme.
 - ** No participants were granted options in excess of the 1% individual limit pursuant to the Share Option Scheme.
 - *** No related entity participant or service provider were granted options exceeding 0.1% of the number of shares in issue in any 12-month period pursuant to the Share Option Scheme.
1. The closing price of the Shares immediately before December 23, 2019, on which those options were granted, was HK\$0.38.
 2. The share options are exercisable for a period of 10 years from the date of grant, subject to the vesting period as follows: (i) 60% of the share options be vested on the date of grant; and (ii) 40% of the share options be vested on the first anniversary of the date of grant.
 3. The share options were granted to a sales and marketing relations consultant appointed on July 1, 2019. The rationale for such grant was to serve as the consideration of the services provided by the consultants.
 4. Mr. Leung Ka Tin had resigned as the independent non-executive Director with effect from April 1, 2023 and was a senior adviser to the Board from to April 1, 2023 to September 30, 2023.

SHARE AWARD SCHEME

The Company adopted a share award scheme ("**Share Award Scheme**") on March 3, 2014 ("**Adoption Date**").

Purpose

The purpose of the Share Award Scheme are:

1. to recognise the contributions by certain employee of the Company (including without limitation any executive Director) or of any member of the Group (the "**Employee(s)**") and to give incentives thereto in order to retain them for the continual operation and development of the Group as part of talent retention programme of the Group; and
2. to attract suitable personnel for further development of the Group.

Participants

The Board may, from time to time, at their absolute discretion select any Employee (whether full time or part time who, in the sole opinion of the Board, will contribute or have contributed to any member of the Group ("**Eligible Employee(s)**") for participation in the Share Award Scheme as a selected employee for the award of Shares ("**Awarded Shares**") under the Share Award Scheme.

Scheme Mandate

If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the issued share capital of the Company at any time, the trustee shall not subscribe or purchase any further Shares. At no point in time shall the trustee be holding more than 5% of the issued capital of the Company under the Share Award Scheme (i.e. 60,000,000 Shares) ("**Scheme Limit**"). The Scheme Limit represents 5.0% of the issued Shares as at the date of this Annual Report.

Maximum Entitlement of Each Participant

There is no maximum entitlement of each Eligible Employee under the Share Award Scheme.

Exercise Period

As the Share Award Scheme is a share award scheme of the Company instead of a share option scheme, the awards granted under the Share Award Scheme are not subject to any exercise period nor are the Eligible Employees entitled to any exercise rights.

Vesting Period

The Board may, at its absolute discretion, determine the terms and conditions of an award (if any), including the vesting date, any performance target or any other conditions, whether restrictive or not, to a selected Employee as vesting conditions.

Acceptance price

No price is payable by the Eligible Employees upon acceptance of Awarded Shares granted under the Share Award Scheme.

Purchase Price

While the Board may, at its absolute discretion, determine the terms and conditions of an award, the selected Employees shall generally not be required to pay any purchase price upon vesting of the Awarded Shares.

Term

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Movement and Position

The number of awards that are available for grant under the Scheme Limit as at the beginning of the Year was 54,619,000 Shares and as at the end of the Year was 54,619,000 Shares.

There were no unvested Awarded Shares under the Share Award Scheme as at January 1, 2023 and December 31, 2023.

No award was granted under the Share Award Scheme during the Year. No award was vested, cancelled or lapsed under the Share Award Scheme during the Year.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, aggregate sales attributable to the Group's five largest customers comprised approximately 81% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 61% of the Group's total sales. The aggregate purchases during the Year attributable to the Group's five largest suppliers were approximately 76% of the Group's cost of sales and the purchases attributable to the Group's largest supplier were approximately 40% of the Group's cost of sales.

Based on the confirmations received from certain Directors who were in their positions during the Year and to the best knowledge of the Company, none of the Directors, nor any of their close associates or any Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's issued Shares had any interest in the five largest customers and suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group held property, plant and equipment of approximately HK\$425.3 million. Details of the movements are set out in Note 15 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company and any of its subsidiaries have not redeemed any of its listed securities during the Year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Year.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as set out under the heading "Share Option Scheme" on pages 21 to 22 of this report, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or subsisting during the Year.

DIRECTORS

The Directors in office during the Year:

Executive Directors

Mr. Pan Zhaolong (*Chairman and Chief Executive Officer*)

Mr. Ho Pak Yiu

Independent Non-executive Directors

Dr. Cheung Wah Keung

Mr. Chan Kai Nang

Mr. Man Yiu Kwong Nick

Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

BOARD COMMITTEES

Audit Committee

Mr. Man Yiu Kwong Nick (*re-designated as Chairman on April 1, 2023*)

Dr. Cheung Wah Keung

Mr. Chan Kai Nang

Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

Remuneration Committee

Dr. Cheung Wah Keung (*Chairman*)

Mr. Chan Kai Nang

Mr. Man Yiu Kwong Nick

Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

Nomination Committee

Mr. Man Yiu Kwong Nick (*re-designated as Chairman on April 1, 2023*)

Mr. Pan Zhaolong

Mr. Ho Pak Yiu

Mr. Chan Kai Nang

Dr. Cheung Wah Keung

Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

Environmental, Social and Governance Committee

Mr. Pan Zhaolong (*Chairman*)

Mr. Ho Pak Yiu

Dr. Cheung Wah Keung

Mr. Man Yiu Kwong Nick

DIRECTORS' SERVICE CONTRACTS

Pursuant to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 84 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Mr. Pan Zhaolong, the Chairman and executive Director, has entered into a service contract with the Company for a term of 3 years commencing from August 6, 2023. Mr. Ho Pak Yiu, the executive Director, has entered into a service contract with the Company for a term of 3 years commencing from May 18, 2022.

Mr. Chan Kai Nang, and Dr. Cheung Wah Keung, the independent non-executive Directors, have each entered into a letter of appointment with the Company for a term of 2 years commencing from April 1, 2023 to March 31, 2025. Mr. Man Yiu Kwong Nick, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of 2 years commencing from November 1, 2022 to October 31, 2024.

During the Year, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the relevant statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Company and with the information available to the Company, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, and subsisted at the end of the Year or at any time during the Year save as disclosed under the paragraph headed "Significant Investment, Material Acquisition and Disposal" in the section headed "Management Discussion and Analysis" on pages 9 to 10 of this report.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Share Award Scheme" on pages 21 to 24 of this report, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

During the Year, to the best knowledge of the Company and with the information available to the Company, no contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CHARITABLE DONATIONS

During the Year, the charitable donations by the Group were RMB65,000 (2022: RMB35,000).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2023, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (“Model Code”), are as follows:

Long Position in the Shares

Name of Director	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options <i>(Note 1)</i>	Percentage of the issued shares of the Company <i>(Note 3)</i>
Mr. Pan Zhaolong	Other <i>(Note 2)</i>	900,000,000	–	75%
Dr. Cheung Wah Keung	Beneficial owner	–	1,200,000	0.10%
Mr. Chan Kai Nang	Beneficial owner	–	1,200,000	0.10%

Notes:

- Details of share options held by Directors are set out in the section headed “Share Option Scheme” on pages 21 to 22 of this report.
- Easy Star Holdings Limited is the registered holder of the 900,000,000 shares of the Company. Easy Star Holdings Limited is wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited became owned by Genesis Trust & Corporate Services Ltd. with effect from 29 September 2021 as trustee for The Pan Family Trust, a discretionary trust under which Mr. Pan Zhaolong, the Chairman, executive director and chief executive officer of the Company, is a nominated beneficiary.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at December 31, 2023 (i.e. 1,200,000,000 Shares).

Save as disclosed above, as at December 31, 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at December 31, 2023, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name	Capacity	Number of Shares	Approximate Percentage of Shareholding
Easy Star Holdings Limited ("Easy Star") <i>(Note)</i>	Beneficial owner	900,000,000	75%
Marina Star Limited <i>(Note)</i>	Interest in controlled corporation	900,000,000	75%
Genesis Trust & Corporate Services Ltd. <i>(Note)</i>	Trustee	900,000,000	75%

Note: Easy Star was the registered holder of the 900,000,000 Shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued Shares of Marina Star Limited was owned by Genesis Trust & Corporate Services Ltd. as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust. Mr. Pan Zhaolong, the Chairman, executive Director and chief executive officer, is a nominated beneficiary under The Pan Family Trust.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as at the date hereof.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report in this report of the Company for the Year.

DISCLOSURE UNDER RULES 13.20, 13.21 and 13.22 OF THE LISTING RULES

The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.20, 13.21 and 13.22 of the Listing Rules regarding the provision of advances by the Company to an entity.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Company, it was not aware of any business or interest of the Directors nor the controlling Shareholder nor any of their respective associates that compete or is likely to compete, either directly or indirectly, with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Year.

CONNECTED TRANSACTIONS

During the Year, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules, which are required to comply with any of the reporting, announcement, annual review or independent Shareholders' approval requirements under the Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 32 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction pursuant to Chapter 14A of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2023, the Group had an aggregate of approximately 842 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale. The Group also operated the mandatory provident fund scheme for its Hong Kong staff and participates in the employee social security plan as required by the regulations in the PRC.

TAXATION

Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's Shares.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. Man Yiu Kwong Nick, Dr. Cheung Wah Keung, and Mr. Chan Kai Nang.

The Audit Committee and the management have reviewed the accounting principles and practices adopted by the Group, as well as the audited consolidated financial statements for the Year and has recommended their adoption to the Board.

AUDITOR

The consolidated financial statements for the year ended December 31, 2023 were audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of BDO Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. There has been no change in auditor of the Company in the preceding three years.

By order of the Board

Pan Zhaolong
Chairman and Executive Director

Hong Kong, March 26, 2024

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to corporate success and to enhance the shareholders' value. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest developments of Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Listing Rules.

The Group has applied the principles and complied with the code provisions of the CG Code throughout the Period with the exception of the following deviation:

Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Since July 1, 2022, the chairman and chief executive officer of the Company are performed by same individual, Mr. Pan Zhaolong. The Board would meet regularly to consider major matters affecting the operations of the Company. It is considered that this structure would not impair the balance of power and authority between the Directors and the management of the Company and believe that the current structure would enable the Group to make and implement decisions promptly and efficiently. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the chief executive officer if the situation warrants it.

THE BOARD OF DIRECTORS

As at the date hereof, the Board comprised five Directors, including two executive Directors, namely Mr. Pan Zhaolong as the Chairman and chief executive officer of the Company ("**CEO**") and Mr. Ho Pak Yiu, as the chief financial officer and three independent non-executive Directors, namely Mr. Chan Kai Nang, Dr. Cheung Wah Keung and Mr. Man Yiu Kwong Nick. Biographical details of the Directors are shown on pages 14 to 16 of this report and set out on the website of the Company.

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing the value of the Shareholders including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Delegation by the Board

The Board undertakes the responsibility for decision making in major matters of the Company, with the day-to-day management delegated to the CEO and senior management. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, for discharge of their duties.

Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as set out in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Exchange**") ("**Listing Rules**") as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Year.

Relationship with Directors

During the Year and up to the date hereof, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board and the senior management.

Independence Confirmation

The Company has received annual confirmations from each of the independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules, and considered all the independent non-executive Directors to be independent.

Board Independence Evaluation Mechanism

The Company has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board with attention to ensuring that it remains independent in judgment, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management. A summary of the mechanism is set out below:

- (a) Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive directors, for appointment as Directors. Nomination Policy is in place with details of the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship.
- (b) The Nomination Committee will assess annually the independence of all INEDs and to affirm if each of them still satisfies the criteria of independence as set out in the Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgment. Every Nomination Committee member should abstain from assessing his/her own independence.
- (c) A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company's expense.
- (d) Directors are encouraged to access and consult with the Company's senior management independently, if necessary.
- (e) The Board Independence Evaluation may take in the form of a questionnaire to all Directors individually and may be supplemented by individual interview with each Director, if necessary, and/or in any other manners which the Board considers fit and necessary.

The Board has reviewed the implementation of and was satisfied with the effectiveness of the above mechanisms to ensure independent views and input in the Year.

Appointment and Re-election of Directors

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the first general meeting after his/her appointment.

Term of Appointment of Non-Executive Directors

During the Year, the independent non-executive Directors were appointed for a term of 2 years or a specific term referred in their respective letter of appointments and are subject to retirement by rotation and re-election in accordance with the Articles of Association.

Mr. Chan Kai Nang and Dr. Cheung Wah Keung, the independent non-executive Directors, have each entered into a letter of appointment with the Company for a term of 2 years commencing from April 1, 2023 to March 31, 2025. Mr. Man Yiu Kwong Nick, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of 2 years commencing from November 1, 2022 to October 31, 2024.

Chairman and Chief Executive Officer

The Chairman and the CEO of the Company are performed by same individual, Mr. Pan Zhaolong. Mr. Pan Zhaolong acknowledged the distinct roles of the Chairman and the CEO. His respective responsibilities are clearly defined and segregated to ensure a balance of power and authority, and reinforce his independence and accountability.

The Chairman provides leadership for the Board, attends to management development and provides strategic plan guidance. The CEO is responsible for the overall strategic planning, operation, sales and marketing of the Group, and overall control system and supervision of the management team.

Mr. Pan Zhaolong, the Chairman, met with the independent non-executive Directors without the presence of other Directors in the Year.

The responsibilities of the Chairman and the CEO have been clearly defined in the Company's "Job Descriptions for Directors and Senior Management".

Directors' Training

The Company has arranged induction training for newly appointed Directors. All Directors are encouraged to participate in continuous professional development trainings to develop and refresh their knowledge and skills.

The individual training record of each of the Directors who confirmed they had received trainings for the Year is summarized as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Pan Zhaolong	A
Mr. Ho Pak Yiu	A
Independent non-executive Directors	
Mr. Leung Ka Tin (<i>term of appointment expired on April 1, 2023</i>)	–
Dr. Cheung Wah Keung	A and B
Mr. Chan Kai Nang	A
Mr. Man Yiu Kwong Nick	A

Notes:

A: attending seminars/forums/workshops/conferences/trainings relevant to the business or directors' duties

B: reading regulatory updates and guidance materials

BOARD COMMITTEES

The Board has established four standing committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to Shareholders on the Company's website.

Nomination Committee

During the Year, the majority members of the Nomination Committee were independent non-executive Directors, with Mr. Man Yiu Kwong Nick acted as the chairman of the Nomination Committee. The members of the Nomination Committee for the Year were:

Mr. Man Yiu Kwong Nick (*re-designated as Chairman on April 1, 2023*)
 Mr. Chan Kai Nang
 Mr. Pan Zhaolong
 Mr. Ho Pak Yiu
 Dr. Cheung Wah Keung
 Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

The duties of the Nomination Committee shall be:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment and re-appointment of the Directors and, in particular, the chairman and the CEO;
- to review the policy on Board diversity ("**Board Diversity Policy**"), the policy on director nomination ("**Nomination Policy**") and any measurable objectives for implementing such Board Diversity Policy and the Nomination Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and
- to make disclosure of its review results in the annual report of the Company annually.

During the Year, the Nomination Committee held one meeting for nominating or considering the candidates of potential Board and committee members, making recommendations to the Board on the re-election of Directors at the general meeting, reviewing the Board Diversity Policy and the Nomination Policy; reviewing the structure, size, composition and diversity of the Board members and assessing the independence of the independent non-executive Directors. The individual attendance record of the Directors at the meeting of Nomination Committee is set out in the paragraph headed "Attendance Records of Board and Committee Meetings" of this Corporate Governance Report.

Board Diversity Policy

The Board has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

The Board currently comprises of six male Directors who are of different age, genders and with professional experience and qualifications in various aspects. Having regard to the composition of the Board and the measurable objectives, the Nomination Committee was of the opinion that the Board consists of members with diversified age, cultural and education background, professional/business experience, skills and knowledge.

The Board currently has no female Director. The Board has identified several potential candidates and would appoint at least one female Director on the Board no later than December 31, 2024 in accordance with Rule 13.92 of the Listing Rules. The Board is mindful of the objectives for the factors as set out in the Board Diversity Policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the Board Diversity Policy and that gender diversity will be achieved in respect of the Board.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations.

As at December 31, 2023, the Group maintained a 33:67 ratio of women to men in the workplace which is generally in line with the industry in which the Group operates. For details, please refer to the Environmental, Social and Governance Report 2023 of the Company.

Director Nomination Policy

The Nomination Policy of the Group was adopted in writing with effect from January 1, 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board. Pursuant to the Nomination Policy, the Nomination Committee shall consider the numerical criteria in evaluating and selecting candidates for directorships, including but not limited to character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; willingness to devote adequate time to discharge duties as a member of the Board; and other directorships and significant commitments.

Remuneration Committee

During the Year, all members of the Remuneration Committee were independent non-executive Directors, with Dr. Cheung Wah Keung acted as the chairman of the Remuneration Committee. The members of the Remuneration Committee during the Year were:

Dr. Cheung Wah Keung (*Chairman*)
Mr. Chan Kai Nang
Mr. Man Yiu Kwong Nick

The duties of the Remuneration Committee shall be:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management members of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate;
- to review and/or approve matters relating to share schemes under the Listing Rules; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Year, the Remuneration Committee held one meeting for assessing the policy for the remuneration of executive directors, reviewing the remuneration package for Directors by reference to the performance, experience and qualification of the Directors and making recommendations to the Board on the remuneration proposals for the Directors and amendments to terms of reference of the Remuneration Committee. The individual attendance record of the Directors at the meeting of Remuneration Committee is set out in the paragraph headed “Attendance Records of Board and Committee Meetings” of this Corporate Governance Report.

The Remuneration Committee is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group’s employees are periodically reviewed by the remuneration committee. The Remuneration Committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share awards and share options were recommended to be awarded by the Remuneration Committee during the Year.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the Year is set out below:

In the band of	Number of individuals
Nil to HK\$1,000,000	3

Audit Committee

During the Year, the Audit Committee comprised all independent non-executive Directors, with Mr. Man Yiu Kwong Nick acted as the chairman of the Audit Committee. The members of the Audit Committee during the Year were:

Mr. Man Yiu Kwong Nick (*re-designated as Chairman on April 1, 2023*)
 Dr. Cheung Wah Keung
 Mr. Chan Kai Nang
 Mr. Leung Ka Tin (*term of appointment expired on April 1, 2023*)

The duties of the Audit Committee shall be:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that external auditor;
- to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company’s annual report and accounts and half-year reports and to review significant financial reporting judgments contained in them;
- to review the Company’s financial controls, internal control and risk management systems annually;
- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management’s response to these findings;
- to review the Group’s financial and accounting policies and practices; and
- to review the external auditor’s management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management’s response, and to ensure that the Board provides a timely response to the issues raised.

During the Year, the Audit Committee held four meetings for considering and reviewing the internal control procedures, internal audit, whistleblowing policy, risk management, cash flow, taxation, financial results (including annual and interim results), accounting policies and related matters, adequacy of staff experience, qualifications, resources of the company's accounting and financial reporting departments, training programs and budget, re-appointment of auditor, and outstanding issues raised by the auditor and internal auditor. The individual attendance record of the Directors at the meeting of Audit Committee is set out in the paragraph headed "Attendance Records of Board and Committee Meetings" of this Corporate Governance Report.

Environmental, Social and Governance Committee

The Company has established the Environmental, Social and Governance Committee on February 10, 2021, with Mr. Pan Zhaolong as the chairman of the Environmental, Social and Governance Committee. The Environmental, Social and Governance Committee comprised both director and non-director members. The director members of the Environmental, Social and Governance Committee as at the date hereof are:

Mr. Pan Zhaolong (*Chairman*)
Dr. Cheung Wah Keung
Mr. Ho Pak Yiu
Mr. Man Yiu Kwong Nick

The duties of the Environmental, Social and Governance Committee shall be:

- to review, formulate and adopt the environmental, social and governance ("**ESG**") vision, objectives and strategies of the Group, and provide recommendations to the Board on relevant ESG matters;
- to review and report back to the Board on major trends in corporate environment, society and governance, as well as risks and opportunities related to environment, society and governance;
- to review and assess the adequacy and effectiveness of the relevant framework for ESG matters at the Group level;
- to review and monitor the Group's ESG policies and practices to ensure compliance with legal and regulatory requirement;
- to identify the relevant matters that significantly affect the operation of the Group and/or the interest of other important stakeholders in the ESG aspects;
- to adopt and update as necessary the Group's policies on environmental protection, social responsibility management and corporate governance;
- to supervise, review, evaluate and report back to the Board on (i) actions taken by the Group to promote ESG objectives, strategies and framework, and (ii) the Group's performance on ESG indicators with appropriate international or national standards;
- to monitor the channels and methods of communication with the stakeholders and ensure that there is an appropriate communication policy that can effectively promote the relationship between the Group and stakeholders and protect the Group's reputation;
- to monitor internal and external opinions on the Group's ESG practices and provide suggestions for improvement of these practices;
- to identify, assess and manage important issues related to ESG and update the assessment results to the Board on a regular basis; and

- to review the Group's public reports on the performance of identified important issues regarding ESG and make recommendations to the Board, including but not limited to (i) setting appropriate standards for environment, society and governance, and monitoring and reporting on an annual basis, (ii) preparing annual ESG report for relevant activities, and (iii) reviewing annual ESG report and recommending it to the Board for approval, and recommending specific actions or decisions for the Board to consider in order to maintain the integrity of the ESG report.

Corporate Governance Functions

The Company's corporate governance function is carried out by the Board in compliance with code provision A.2.1 of the CG Code, which include (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and senior management; (ii) to review and monitor the training and continuous professional development of Directors; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

Board Practices and Conduct of Meetings

The Directors can attend meetings in person or through other means of electronic communication or approve corporate actions by way of written resolution in accordance with the Articles of Association. All minutes of the Board and committee meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

ATTENDANCE RECORDS OF BOARD AND COMMITTEE MEETINGS

The Board meets regularly discuss the Company's affairs and operations. During the Year, the Board held six Board meetings which were convened when board-level decisions on particular matters were required in person, by phone or through other electronic means of communication. The attendance records of each Director at the Board, Nomination Committee, Remuneration Committee, Audit Committee, Environmental, Social and Governance Committee meetings and general meetings for the Year are set out below:

	Attendance/Number of Meetings					
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Environmental, Social and Governance Committee Meetings	General Meetings
Executive Directors						
Mr. Pan Zhaolong	6/6	1/1	N/A	N/A	1/1	1/1
Mr. Ho Pak Yiu	6/6	1/1	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Leung Ka Tin (<i>term of appointment expired on April 1, 2023</i>)	1/2	1/1	0/1	0/1	N/A	0/0
Dr. Cheung Wah Keung	6/6	1/1	1/1	4/4	1/1	1/1
Mr. Chan Kai Nang	6/6	1/1	1/1	4/4	N/A	1/1
Mr. Man Yiu Kwong Nick	6/6	1/1	1/1	4/4	1/1	1/1

For the Year, apart from the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee, consent/approval from the Board and Board committees had also been obtained by written resolutions on a number of matters.

ANNUAL REPORT AND FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare financial statements for the Year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to the Shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects of the financial statements of the Group.

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 45 to 48 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems for reviewing their effectiveness annually. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company has established the Audit Committee and internal audit department to conduct analysis and independent assessments on the effectiveness of the risk management and internal control systems of the Company. The Company is committed to implementing stricter and more regulated internal control procedures in the new financial year.

The Board recognises that corporate governance and ESG are complementary, with corporate governance inextricably linked to good governance of environmental and social issues. The Company's business, from day-to-day operations to aspects of commercial viability, including but not limited to brand and reputation, and stakeholder capitalism, are all relating to corporate governance and ESG. The management of issues relating to how an organisation interacts with the environment, its own people and the communities in which it operates all tie in with how the organisation is governed. Taken together, corporate governance and ESG demonstrate how a business ought to be managed and operated, while simultaneously taking into consideration environmental and social risks or impacts. The Company acknowledged that good corporate governance practices are not only a prerequisite for managing ESG issues, but provide the bedrock for managing environmental and social risk and ensuring there is accountability and ownership at the highest level of the business.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resources, qualifications, experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle significant risks associated with the business of the Group including strategic risk, financial risk, business risk, environmental and social risk, and legal risk. The Board would perform annual review on significant changes of the business environment and establish procedures to response to the risks resulted from significant changes of the business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management of the Group would identify the risks associated with the business of the Group by considering both internal and external factors and events which include political, economic, technological, ESG and staff. Each of the risks has been assessed and prioritized based on their relevant impacts and occurrence opportunities. The relevant risk management strategy would be applied to each type of risk according to the assessment results. Types of risk management strategy are: (i) risk reduction; (ii) risk avoidance; (iii) risk diversification; and (iv) risk transfer.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimize the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management confirmed to the Board, and the Company is satisfied that, for the Year, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

COMPANY SECRETARY

Mr. Ho Pak Yiu, the executive Director and chief financial officer of the Company, has been appointed as the company secretary of the Company on December 1, 2022. Mr. Ho Pak Yiu had confirmed that he has taken not less than 15 hours of appropriate professional training as required under Rule 3.29 of the Listing Rules.

The Company monitors and control the dissemination of inside information with information disclosure policies and procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company's compliance department assesses the likely impact of any unexpected and significant event that may impact the price of the shares of the Company or their trading volume and evaluates whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 45 to 48 of this report.

During the Year, the remuneration paid/payable to the Company's external auditor, BDO Limited and its affiliated companies, is set out below:

Type of Services	Fees Paid/ Payable
Audit services	
– Audit of annual financial statements and agreed-upon procedures on the Group's preliminary annual results announcement	2,200
– Reporting accountants in relation to a major transaction	150
– Agreed-upon procedures on interim financial information	200
Non-Audit Services	
– Transfer pricing review	215
Total	2,765

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by Shareholders

Procedures for Shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting. Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition ("**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

INVESTORS RELATIONS

The latest version of the amended and restated Articles of Association has been published both on the websites of the Company and the Exchange.

For the purposes of (i) provide flexibility to the Company in relation to the conduct of general meetings (e.g. to convene and hold physical meetings, hybrid meetings and/or electronic meetings); (ii) conform to the current revised requirements of the Listing Rules (in particular the Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules) and the applicable laws of the Cayman Islands; and (iii) incorporate other house-keeping amendments, the Company has amended and adopted the amended and restated Articles of Association by special resolution at the annual general meeting held on May 31, 2023. Details of the amendments are set out in the Company's announcement dated April 14, 2023 and the circular dated April 21, 2023.

Communication with Shareholders and Making Enquiry to the Board

The Company has updated its status to Shareholders from time to time through announcements and information as appeared on the website of the Company.

The Shareholders' communication policy of the Company is in place with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

- (i) Corporate communication will be provided to the Shareholders in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders have the right to choose the language (either English and Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means);

- (ii) periodic announcements are published on the websites of the Exchange and the Company;
- (iii) a dedicated Investor Relations section is available on the Company's website www.palum.com. Information on the Company's website is updated on a regular basis; and
- (iv) Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

During the Year, the Board reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@palum.com.

The Company will hold an annual general meeting to approve the financial results for the Year as soon as practicable in 2024. The notice of annual general meeting will be sent to Shareholders at least 20 clear business days before the annual general meeting.



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To the Shareholders of PanAsialum Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PanAsialum Holdings Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 49 to 113, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Refer to 2, 4, 15 and 16 to the consolidated financial statements.

The carrying value of the Group’s property, plant and equipment and right-of-use assets amounted to HK\$425,345,000 and HK\$229,058,000 respectively as at December 31, 2023. As at December 31, 2023, the market capitalization of the Group fell below its net asset value. Management considered that this condition indicated impairment of the Group’s property, plant and equipment and right-of-use assets.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

In this regard, the Group engaged an independent professional valuer to assist the Group in the estimation of the recoverable amount of the cash generating units, which is the higher of the fair value less costs of disposal and value in use. The judgment focuses on estimation of the prices at which an orderly transaction between market participants to sell these assets would take place at measurement date. Based on the result of the assessment, management has estimated that no impairment loss in respect of the Group's property, plant and equipment and right-of-use assets is required.

Our response:

1. Evaluating the assumptions and data used by the Group in the impairment assessment of these assets;
2. Engaging an independent and qualified valuation specialist to assist us in evaluating the methodology adopted and key assumptions used by the independent professional valuer for the impairment assessment and the fair value used in the recoverable amount calculation; and
3. Evaluating the competence, capabilities and objectivity of the independent professional valuer.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

BDO Limited

Certified Public Accountants

Pak Tak Lun

Practising Certificate Number: P06170

Hong Kong, March 26, 2024

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	<i>Notes</i>	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Continuing operations			
Revenue	5	1,036,675	1,611,202
Cost of sales		(872,893)	(1,388,170)
Gross profit			
		163,782	223,032
Distribution and selling expenses		(30,589)	(55,391)
Administrative expenses		(196,970)	(304,790)
Other income	8	36,063	69,510
Other gains/(losses) – net	9	7,692	(1,100)
Finance costs – net	10	(9,585)	(21,981)
Reversal of impairment loss on trade receivables	3.1(b)	22,637	25,702
Gain on disposal of a subsidiary	33	9,608	–
Profit/(loss) before income tax			
	6	2,638	(65,018)
Income tax credit	11	24,661	13,406
Profit/(loss) for the year from continuing operations			
		27,299	(51,612)
Discontinued operation			
Profit/(loss) for the year from discontinued operation			
	12	864	(53,011)
Profit/(loss) for the year			
		28,163	(104,623)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (HK cents per share)	13		
– Continuing operations		2.3	(4.3)
– Discontinued operation		0.1	(4.4)
		2.4	(8.7)

Consolidated Statement of
Comprehensive Income (Continued)

For the year ended December 31, 2023

	<i>Notes</i>	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Profit/(loss) for the year		28,163	(104,623)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(18,666)	(92,880)
Reclassification adjustment on currency translation differences for foreign operations disposed of during the year	<i>12, 33</i>	(4,351)	–
Release of foreign currency translation reserve upon deregistration of subsidiaries		(133)	–
Total comprehensive income for the year		5,013	(197,503)
Total comprehensive income for the year			
– Continuing operations		9,453	(152,444)
– Discontinued operation		(4,440)	(45,059)
		5,013	(197,503)

Consolidated Statement of Financial Position

As at December 31, 2023

	<i>Notes</i>	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	425,345	634,661
Right-of-use assets	16	229,058	295,484
Investment properties	17	–	21,355
Deferred tax assets	18	–	2,333
Prepayments for property, plant and equipment	22	3,002	6,961
		657,405	960,794
Current assets			
Inventories	21	93,987	101,990
Trade receivables	22	223,119	273,471
Prepayments, deposits and other receivables	22	146,500	217,947
Income tax recoverable		1,606	–
Pledged bank deposits	23	82,663	56,136
Cash and cash equivalents	23	226,239	73,665
		774,114	723,209
Total assets		1,431,519	1,684,003
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	120,000	120,000
Reserves	27	601,043	596,030
Total equity attributable to owners of the Company		721,043	716,030

Consolidated Statement of
Financial Position (Continued)

As at December 31, 2023

	<i>Notes</i>	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	1,235	829
Borrowings	29	65,028	231,483
Income tax liabilities		214,746	262,033
		281,009	494,345
Current liabilities			
Trade and bills payables	28	65,896	53,802
Contract liabilities, other payables and accrued charges	28	115,284	158,592
Borrowings	29	145,575	162,499
Lease liabilities	16	1,599	5,144
Deferred income on government grants		12,688	16,690
Income tax liabilities		88,425	76,901
		429,467	473,628
Total liabilities		710,476	967,973
Total equity and liabilities		1,431,519	1,684,003

The consolidated financial statements on pages 49 to 113 were approved by the Board of Directors on March 26, 2024 and were signed on its behalf.

Pan Zhaolong
Director

Ho Pak Yiu
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Share held for share award scheme HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at January 1, 2023	120,000	1,001,287	(774)	3,694	(48,373)	(359,804)	716,030
Profit for the year	–	–	–	–	–	28,163	28,163
Other comprehensive income:							
Currency translation differences	–	–	–	–	(18,666)	–	(18,666)
Reclassification adjustment on currency translation differences for foreign operations disposed of during the year (Notes 12, 33)	–	–	–	–	(4,351)	–	(4,351)
Release of foreign currency translation reserve upon deregistration of subsidiaries	–	–	–	–	(133)	–	(133)
Total comprehensive income for the year	–	–	–	–	(23,150)	28,163	5,013
Release upon lapse of share options (Note 26)	–	–	–	(516)	–	516	–
Balance at December 31, 2023	120,000	1,001,287	(774)	3,178	(71,523)	(331,125)	721,043
Balance at January 1, 2022	120,000	1,001,287	(774)	6,378	44,507	(257,865)	913,533
Loss for the year	–	–	–	–	–	(104,623)	(104,623)
Other comprehensive income:							
Currency translation differences	–	–	–	–	(92,880)	–	(92,880)
Total comprehensive income for the year	–	–	–	–	(92,880)	(104,623)	(197,503)
Release upon lapse of share options (Note 26)	–	–	–	(2,684)	–	2,684	–
Balance at December 31, 2022	120,000	1,001,287	(774)	3,694	(48,373)	(359,804)	716,030

* The other reserves comprises foreign currency translation reserve of debit balance of HK\$90,228,000 (December 31, 2022: debit balance of HK\$67,078,000) and statutory reserves of HK\$18,705,000 (December 31, 2022: HK\$18,705,000). Further details are set out in Note 27.

The notes on pages 55 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	<i>Notes</i>	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	231,886	168,785
Income tax paid		(5,060)	(419)
Net cash generated from operating activities		226,826	168,366
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress	15	(7,714)	(25,670)
Decrease in prepayments for property, plant and equipment		3,845	6,152
Proceeds from sales of property, plant and equipment	30(b)	7,556	4,559
Proceeds from disposal of a subsidiary		30,264	–
Proceeds from disposal of the discontinued operation		1,327	–
Interest received		3,474	661
Increase in pledged bank deposits		(27,646)	(34,662)
Net cash generated from/(used in) investing activities		11,106	(48,960)
Cash flows from financing activities			
Proceeds from borrowings	30(c)	129,079	733,517
Repayments of borrowings	30(c)	(190,797)	(787,981)
Payment for lease liabilities	30(c)	(5,377)	(11,715)
Interest paid	30(c)	(13,059)	(26,447)
Net cash used in financing activities		(80,154)	(92,626)
Net increase in cash and cash equivalents		157,778	26,780
Cash and cash equivalents at beginning of the year		73,665	54,599
Exchange losses on cash and cash equivalents		(5,204)	(7,714)
Cash and cash equivalents at end of the year		226,239	73,665

The notes on pages 55 to 113 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

PanAsialum Holdings Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in the manufacturing and trading of aluminium products. The Company is an investment holding company. The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on October 7, 2005 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is a subsidiary of Easy Star Holdings Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors, the ultimate holding company of the Company is Genesis Trust & Corporate Services Limited, which is incorporated in the Cayman Islands and is beneficially and wholly-owned by a discretionary trust under which Mr. Pan Zhaolong, the Chairman, executive director and chief executive officer of the Company, is a nominated beneficiary.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Exchange**”) since February 5, 2013.

These consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the “**Board**”) on March 26, 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The summary of material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Exchange. The consolidated financial statements have been prepared under the historical cost convention, except for investment properties which are measured at fair value, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosure

(a) *New, revised or amended standards and interpretation adopted by the Group*

The following new and amended standards have been adopted by the Group for the first time for the current year’s financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 7	Insurance Contract

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

New Guidance on accounting implications of the abolition of the mandatory provident fund ("MPF") – long service payments ("LSP") offsetting mechanism in Hong Kong issued by the HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("the Amendment Ordinance") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the MPF to offset severance payment ("SP") and LSP ("the Abolition"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on May 1, 2025 ("the Transition Date"). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's MPF contributions and its LSP obligation the accounting for offsetting mechanism could become material in light of the abolition the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' ("the Guidance") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended December 31, 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosure (Continued)

(b) *New standards, interpretations and amendments not yet effective*

There are a number of revised, amendments to standards which have been issued by the HKICPA that are effective in future accounting periods that the Group has decided not to adopt early.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) (the “ 2020 Amendments ”) ^{1,2,4}
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) ^{1,2}
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Amendments to HKFRS 16

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

The Group expected that the amendments do not to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

The Group expected that the amendments do not to have any significant impact on the Group’s financial statements.

The Group does not expect any other standards issued by the HKICPA, but not yet effective, to have a material impact on the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (*Continued*)

2.1 Basis of preparation (*Continued*)

2.1.1 Changes in accounting policy and disclosure (*Continued*)

(b) *New standards, interpretations and amendments not yet effective (Continued)*

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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group does not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Early adoption is permitted, but will need to be disclosed.

The Group does not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Structured entity

The Group controls a structured entity, the trust constituted by the trust deed, which is set up solely for the purpose of purchasing, administering and holding the Company shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the trust and it has the ability to use its power over the trust to affect its exposure to returns, the assets and liabilities of trust are included in the consolidated statement of financial position and the Company shares held by the trust are presented as a deduction in equity as shares held for share award scheme.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive directors, which has been identified as being the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss ("**FVTPL**") are recognized in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their costs, less their estimated residual value, if any, over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	3 – 10 years
Office equipment	3 – 5 years
Furniture and fixtures	5 years
Motor vehicles	4 – 10 years

Construction in progress, which includes direct expenditures for construction of buildings, is stated at cost. Capitalized costs include costs incurred during the construction phase which directly relates to the asset under construction. Once all the activities necessary to prepare an asset to be available for its intended use are substantially completed, the construction in progress is transferred to property, plant and equipment. No depreciation is provided in respect of construction in progress.

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

2.7 Investment properties

Any gains or losses on the retirement or disposal of an investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at last reporting date) are recognized in the consolidated statement of comprehensive income in the year of the retirement or disposal.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale that presents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view of resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (*Continued*)

2.10 Financial instruments

2.10.1 Financial assets

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

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

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

Debt instruments

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

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

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

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

Equity instruments

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

2.10.2 Impairment loss on financial assets

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

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

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (2) the financial asset is more than 90 days past due or unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

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

2.10.3 Financial liabilities

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

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

2.10.4 Effective interest method

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

2.10.5 Derecognition

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

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

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

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, excluding pledged deposits.

2.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.14 Current income tax

The tax expense for the year comprises current income tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.15 Revenue recognition

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

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

Sales of goods

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognized when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable from immediate to 90 days.

Other income

- Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

2.16 Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

The Group participates in defined contribution schemes which are available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group also participates in the employee social security plan (the "Plan") as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on a certain percentage of the employees' relevant income.

(c) Bonus plans

The Group recognizes a liability and an expense for bonus plans that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliges or where there is a past practice that has created a constructive obligation.

(d) Equity-settled share-based payment transactions

(i) Share award

The Group operates a share award scheme, under which the entity receives services from employees as consideration for equity instruments of the Group and the share awards were granted under the share award scheme to employees as part of their compensation package.

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognized over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to an employee share-based compensation reserve under equity.

Upon vesting and transfer to the awardees, the related costs of the shares are credited to shares held for share award scheme, and the related fair value of the shares are debited to employee share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(d) Equity-settled share-based payment transactions (Continued)

(ii) Share options

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognized in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognized in profit or loss over the remaining vesting period.

2.17 Leases

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

Right-of-use asset

The right-of-use asset should be recognized at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises its judgment and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Leases (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss for the year on a straight-line basis over the period of the lease.

2.18 Government grants and subsidies

Grants and subsidies from government are recognized at their fair value where there is a reasonable assurance that the grants and subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants and subsidies are recognized as income or matched with the associated costs which the grants and subsidies are intended to compensate.

Government grants relating to the right-of-use assets are deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group is not exposed to material equity price risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's management regularly monitors the exposures and implements timely and effective policies to mitigate potential risks. Risk management is carried out by the group treasury department under policies approved by the Board. Financial risks are identified and evaluated in different units with close cooperation with the group treasury. Based on the policies, the Group can also use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"), Renminbi ("RMB") and Australian Dollar ("AUD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The results of net foreign exchange difference arise from relevant foreign currencies denominated trade and other receivables, cash and cash equivalents and other payables. The Group's exposure to different currencies is disclosed in the following table:

	2023 Increase/ (decrease) on profit for the year HK\$'000	2022 Increase/ (decrease) on loss for the year HK\$'000
For companies with HKD as their functional currency:		
RMB weakens against HKD by 10%	(13,080)	11,247
RMB strengthens against HKD by 10%	13,080	(11,247)
For companies with HKD as their functional currency:		
AUD weakens against HKD by 10%	(4,006)	304
AUD strengthens against HKD by 10%	4,006	(304)
For companies with RMB as their functional currency:		
USD weakens against RMB by 10%	(35)	101
USD strengthens against RMB by 10%	35	(101)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, these evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Normally, the Group does not obtain collateral from customers.

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(b) Credit risk (Continued)**

The credit risk is characterized by high concentration of business with several customers. At the end of reporting period, the Group has a certain concentration of credit risk as 49% (2022: 34%) and 69% (2022: 68%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively.

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

Loss allowances for other receivables are also measured at an amount equal to lifetime ECLs. For the years ended December 31, 2022 and 2023, no impairment loss was recognized under the ECLs model.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2022 and 2023:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
At December 31, 2023				
Current	1.41%	205,474	2,892	202,582
1 – 30 days	12.02%	22,430	2,695	19,735
31 – 60 days	48.80%	1,311	640	671
61 – 90 days	68.09%	301	205	96
91 – 180 days	97.22%	1,273	1,238	35
181 days – 1 year	100.00%	1,402	1,402	–
More than 1 year	100.00%	123,724	123,724	–
		355,915	132,796	223,119
At December 31, 2022				
Current	3.66%	266,408	9,750	256,658
1 – 30 days	16.39%	16,927	2,774	14,153
31 – 60 days	42.51%	3,524	1,498	2,026
61 – 90 days	67.56%	1,415	956	459
91 – 180 days	80.21%	870	697	173
181 days – 1 year	99.57%	465	463	2
More than 1 year	100.00%	134,620	134,620	–
		424,229	150,758	273,471

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
Balance at beginning of year	150,758	178,757
Reversal of impairment loss recognized during the year	(22,637)	(25,702)
Exchange differences	4,675	(2,297)
Balance at end of year	132,796	150,758

The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Management believes that the credit risk related to these customers is not significant in respect of the net trade receivables.

Settlements from the customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified and follow-up action is taken to recover the overdue debts.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of an adequate amount of credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining years at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At December 31, 2023					
Borrowings	210,603	219,838	151,376	28,583	39,879
Trade, bills and other payables	173,015	173,015	173,015	–	–
Lease liabilities	2,834	3,028	1,730	1,298	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At December 31, 2022					
Borrowings	393,982	413,324	175,964	199,352	38,008
Trade, bills and other payables	201,247	201,247	201,247	–	–
Lease liabilities	5,973	6,211	5,372	839	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The gearing ratios of the Group as at December 31, 2022 and 2023 were as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Total borrowings	210,603	393,982
Less: Cash and cash equivalents	(226,239)	(73,665)
Net debt	N/A	320,317
Total equity	721,043	716,030
Total capital and net debt	N/A	1,036,347
Gearing ratio	N/A	31%

The Board is of the view that the decrease in the gearing ratio as at December 31, 2023 was the result of repayments of bank borrowings during the year ended December 31, 2023.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short maturity.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Save as disclosed in Note 2.1, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

(b) Provision for impairment of receivables

The loss allowances for financial assets are based on assumptions about risk of default and ECLs rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The carrying amount and impairment of trade receivables are disclosed in Note 22.

(c) Estimated useful lives of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

(d) Impairment of property, plant and equipment and right-of-use assets

The Group's major operating assets represent property, plant and equipment and right-of-use assets which are carried at cost less depreciation and impairment. Management performs review for impairment of the property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

5 REVENUE AND SEGMENT INFORMATION

(a) Reportable segments

The executive directors (“**ED(s)**”) of the Company, being the chief operating decision makers, regularly review operating segments based on reports that are used to make strategic decisions. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the EDs of the Company and no analysis of product segment is presented.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group’s reportable segments are as follows:

- (i) manufacture and trading of aluminium products; and
- (ii) investment properties

During the year ended December 31, 2023, the Group has discontinued the business of investment properties. Accordingly, the results of this segment have been classified as discontinued operation of the Group. Details of which are set out in Note 12 to the consolidated financial statements.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group’s profit/loss before income tax except that unallocated finance costs as well as head office and corporate expenses are excluded from such measurement.

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the year ended December 31, 2023

	Continuing operations	Discontinued operation	Total HK\$'000
	Aluminium products HK\$'000	Investment properties HK\$'000	
Reportable segment revenue	1,036,675	–	1,036,675
Reportable segment profit before income tax	12,883	864	13,747
Finance costs	(12,967)	–	(12,967)
Loss on disposal of property, plant and equipment, net			
– allocated	(27,630)	–	(27,630)
– unallocated			130
			(27,500)
Written off of property, plant and equipment	(13,286)	–	(13,286)
Written off of prepayments	(12,213)	–	(12,213)
Reversal of impairment loss on inventories	6,772	–	6,772
Depreciation of property, plant and equipment			
– allocated	(61,808)	–	(61,808)
– unallocated			(1,652)
			(63,460)
Depreciation of right-of-use assets			
– allocated	(10,265)	–	(10,265)
– unallocated			(939)
			(11,204)
Reversal of impairment loss on trade receivables	22,637	–	22,637
Income tax credit	24,661	–	24,661

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the year ended December 31, 2022

	Continuing operations	Discontinued operation	Total HK\$'000
	Aluminium products HK\$'000	Investment properties HK\$'000	
Reportable segment revenue	1,611,202	–	1,611,202
Reportable segment loss before income tax	(56,430)	(53,011)	(109,441)
Finance costs	(22,587)	–	(22,587)
Change in fair value of investment properties	–	(52,547)	(52,547)
Loss on disposal of property, plant and equipment			
– allocated	(592)	–	(592)
– unallocated			(6)
			(598)
Impairment loss on property, plant and equipment	(67,390)	–	(67,390)
Impairment loss on prepayments for property, plant and equipment	(27,838)	–	(27,838)
Impairment loss on inventories	(10,629)	–	(10,629)
Depreciation of property, plant and equipment			
– allocated	(82,578)	–	(82,578)
– unallocated			(1,271)
			(83,849)
Depreciation of right-of-use assets			
– allocated	(16,951)	–	(16,951)
– unallocated			(1,073)
			(18,024)
Reversal of impairment loss on trade receivables	25,702	–	25,702
Income tax credit	13,406	–	13,406

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

As at December 31, 2023

	Aluminium products HK\$'000
Reportable segment assets	1,421,812
Additions to non-current assets	8,043
Reportable segment liabilities	702,269

As at December 31, 2022

	Aluminium products HK\$'000	Investment properties HK\$'000	Total HK\$'000
Reportable segment assets	1,652,153	22,049	1,674,202
Additions to non-current assets	32,879	–	32,879
Reportable segment liabilities	952,348	2,245	954,593

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Continuing operations		Discontinued operation	
	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Profit/(loss) before income tax				
Reportable segment profit/(loss)	12,883	(56,430)	864	(53,011)
Unallocated finance costs	(93)	(55)	–	–
Unallocated corporate expenses	(10,152)	(8,533)	–	–
Consolidated profit/(loss) before income tax	2,638	(65,018)	864	(53,011)
			December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Assets				
Reportable segment assets			1,421,812	1,674,202
Deferred tax assets			–	2,333
Unallocated cash and cash equivalents			1,356	3,912
Unallocated corporate assets			8,351	3,556
Consolidated total assets			1,431,519	1,684,003

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities (Continued)

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Liabilities		
Reportable segment liabilities	702,269	954,593
Unallocated corporate liabilities	8,207	13,380
Consolidated total liabilities	710,476	967,973

(c) Geographical information

The tables below present geographical segment information. The Group derives revenue from the continuing operations, manufacture and trading of aluminium products over time and at a point in time in the following geographical regions:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Primary geographical markets		
The PRC	325,302	700,816
Australia	27,630	92,904
South East Asia	637,280	739,173
Others	46,463	78,309
Total	1,036,675	1,611,202
Major products/Services		
Sales of goods	1,036,675	1,608,430
Processing fees	–	2,772
	1,036,675	1,611,202
Time of revenue recognition		
At a point in time	1,036,675	1,608,430
Transferred over time	–	2,772
	1,036,675	1,611,202

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Geographical information (Continued)

The geographical locations of non-current assets are determined based on the countries of domicile of the companies now comprising the Group. The total of non-current assets, excluding deferred tax assets, located in respective geographical locations is as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
The PRC	655,802	952,678
Hong Kong	1,603	4,390
Other countries	–	1,393
	657,405	958,461

(d) Information about major customers

Details of customers accounting for 10% or more of total revenue are as follows:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Customer A	637,280	739,173
Customer B (Note)	N/A	254,549

Note: The corresponding customer did not contribute over 10% of the total revenue of the Group for the year ended December 31, 2023.

6 PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The Group's profit/(loss) before income tax from continuing operations is arrived at after charging/(crediting):

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Auditor's remuneration	2,765	3,135
Cost of inventories recognized as expenses	872,893	1,388,170
Loss on disposal of property, plant and equipment, net (Note 30(b))	27,500	598
Employee benefit expenses (Note 7)	74,459	115,436
Depreciation:		
– Owned property, plant and equipment (Note 15)	63,460	83,849
– Right-of-use assets (Note 16)	11,204	18,024
Impairment loss on property, plant and equipment (Note 15)	–	67,390
Written off of property, plant and equipment (Note 15)	13,286	–
Written off of prepayments	12,213	–
Impairment loss on prepayments for property, plant and equipment	–	27,838
(Reversal of impairment loss)/impairment loss on inventories (Note 21)	(6,772)	10,629
Legal and professional fees	5,463	3,905
Research and development expenses	43,867	50,898

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND FIVE HIGHEST PAID INDIVIDUALS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Wages and salaries	64,790	98,178
Contributions to retirement benefits scheme	8,354	12,547
Other benefits	1,316	4,711
	74,459	115,436

For the years ended December 31, 2022 and 2023, there were neither contributions forfeited by the Group nor had there been any utilization of such forfeited contributions to reduce future contributions. As at December 31, 2022 and 2023, there were no forfeited contributions which were available for utilization by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme.

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 2 (year ended December 31, 2022: 2) were directors of the Company whose emoluments are included in the disclosures in Note 35. The emoluments of the remaining 3 (year ended December 31, 2022: 3) individuals were as follows:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Salaries and other benefits	2,347	1,569
Contributions to defined contribution plan	36	54
	2,383	1,623

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Five highest paid individuals (Continued)

Their emoluments were within the following bands:

	Year ended December 31, 2023 No. of individuals	Year ended December 31, 2022 No. of individuals
Nil to HK\$1,000,000	3	3

The emoluments paid or payable to members of senior management (excluding directors) were within the following bands:

	Year ended December 31, 2023 No. of individuals	Year ended December 31, 2022 No. of individuals
Nil to HK\$1,000,000	3	4

During the year ended December 31, 2023, none of the directors of the Company or the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments (year ended December 31, 2022: Same).

8 OTHER INCOME FROM CONTINUING OPERATIONS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Government grants ⁽ⁱ⁾	3,865	10,227
Scrap sales	3,526	3,005
Rental income	717	1,289
Customs and other tax refund	9,913	47,316
Write back of other payables	10,867	5,191
Write back of contract liabilities (Note 28)	5,182	–
Others	1,993	2,482
	36,063	69,510

- (i) For the year ended December 31, 2023, government grants mainly include (i) HK\$3,519,000 (year ended December 31, 2022: HK\$9,696,000) received from several PRC government authorities for the development of intellectual property patent, social security allowance and technical renovation of the Group's equipment, and (ii) no government grants received by the Group in respect of COVID-19 related subsidies under the employment support scheme provided by the governments of Hong Kong, the PRC and Australia (year ended December 31, 2022: HK\$141,000). There were no unfulfilled conditions or contingencies related to these grants. The remaining amounts were transferred from deferred income to consolidated statement of comprehensive income during the respective year.

9 OTHER GAINS/(LOSSES) – NET FROM CONTINUING OPERATIONS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Net exchange gains	28	3,613
Effect of lease modification (Note 16)	39	2,264
Gain/(Loss) on settlement of derivative financial instruments	7,492	(6,977)
Gain on deregistration of subsidiaries	133	–
	7,692	(1,100)

10 FINANCE INCOME AND COSTS FROM CONTINUING OPERATIONS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Interest income:		
Interest income on bank deposits	3,474	661
Finance income	3,474	661
Interest expenses:		
Interest expense on borrowings	(12,771)	(25,756)
Interest expense on lease liabilities (Note 16)	(288)	(691)
Less: Amount capitalised ⁽ⁱ⁾	–	3,805
Finance costs	(13,059)	(22,642)
Finance costs – net	(9,585)	(21,981)

(i) Borrowing costs capitalized during the year ended December 31, 2022 arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.2% to expenditure on qualifying assets.

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11 INCOME TAX CREDIT FROM CONTINUING OPERATIONS

For the year ended December 31, 2023, no provision for Hong Kong profits tax has been provided as there is sufficient tax losses to offset with the assessable profits (year ended December 31, 2022: Same).

The Group's operations in the PRC are subject to the PRC corporate income tax. For the year ended December 31, 2023, no provision for PRC corporate income tax has been provided as there is no assessable profit arising in the PRC. For the year ended December 31, 2022, no provision for PRC corporate income tax has been provided as there is sufficient tax losses to offset with the assessable profits. The standard PRC corporate income tax rate was 25% for the years ended December 31, 2022 and 2023, except that one of the PRC subsidiaries of the Company was qualified as a High and New Technology Enterprise in December 2022 and was entitled to enjoy a preferential income tax rate of 15% for a period of 3 years.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Hong Kong profits tax		
– current year	–	–
Overseas taxation		
– current year	12,509	6,839
– Over-provision in respect of prior years	(37,170)	(20,245)
	(24,661)	(13,406)

11 INCOME TAX CREDIT FROM CONTINUING OPERATIONS (Continued)

The tax on the Group's profit/(loss) before income tax from continuing operations differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the companies comprising the Group as follows:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Profit/(loss) before income tax from continuing operations	2,638	(65,018)
Tax calculated at Hong Kong profits tax rate	435	(10,730)
Income not subject to tax	(2,746)	(1,077)
Expenses not deductible for tax purposes	10,772	27,980
Deduction of research and development cost	(6,580)	(12,724)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9,165)	(6,464)
Tax losses for which no deferred income tax asset was recognized	21,400	11,498
Utilization of tax losses previously not recognized	(2,501)	(2,213)
Over-provision in respect of prior years	(37,170)	(20,245)
Other temporary differences not recognized	894	569
Income tax credit from continuing operations	(24,661)	(13,406)

As at December 31, 2023, the Group had unused tax losses arising in Hong Kong of HK\$46,157,000 (December 31, 2022: HK\$89,944,000) and the PRC of approximately HK\$488,258,000 (December 31, 2022: HK\$505,200,000) which are available for offset against future taxable profits of the Group in which the losses arose for an indefinite period and a period of five years respectively. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the group companies that have been loss-making for some years.

As at December 31, 2023, the subsidiaries have no unremitted earnings with deferred income tax liability arising thereon. Management is of the view that unremitted earnings are intended for re-investment in the PRC and there is no current plan for distribution (December 31, 2022: Same).

12 DISCONTINUED OPERATION

On December 19, 2023, the Group, through a wholly-owned subsidiary, entered into an agreement with an independent purchaser to dispose of the entire issued share capital in a subsidiary, 昌吉准東經濟技術開發區宏睿鋁業有限公司 ("JSWR"), at the consideration of RMB16,394,000 (equivalent to HK\$18,609,000) in cash. JSWR was principally engaged in property holding in the PRC. On December 30, 2023, the disposal was completed. Upon completion of the disposal, the Group no longer engages in investment properties operation and accordingly, the operation was classified as discontinued operation.

(a) Financial performance and cash flow information

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Administrative expenses	(3,244)	(1,158)
Other income	664	694
Change in fair value of investment properties	–	(52,547)
Loss before income tax	(2,580)	(53,011)
Gain on disposal of the discontinued operation	3,444	–
Profit/(loss) from discontinued operation	864	(53,011)
Cash flows used in operating activities	(1,347)	(99)
Cash flows generated from investing activities	1,327	1
Net cash outflows	(20)	(98)

(b) Details of the disposal of discontinued operation

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	20,964
Deferred tax assets	2,290
Deferred income on government grants	(3,325)
Net assets disposal of	19,929
Cumulative exchange differences in respect of the net assets of JSWR reclassified from equity to profit or loss on loss of control of JSWR	(5,304)
Gain on disposal of the discontinued operation	3,444
Total consideration	18,069
Net cash inflow arising on disposal:	
Cash consideration	18,069

13 EARNINGS/(LOSS) PER SHARE**Basic**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31, 2023	Year ended December 31, 2022 (restated)
Earnings/(loss) attributable to owners of the Company (HK\$'000)		
Continuing operations	27,299	(51,612)
Discontinued operation	864	(53,011)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	1,199,405	1,199,405

Diluted

For the years ended December 31, 2022 and 2023, the computation of diluted earnings/(loss) per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive.

14 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2023 (year ended December 31, 2022: Nil).

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended December 31, 2022							
Opening net book amount	281,447	454,323	7,575	1,301	2,703	82,463	829,812
Exchange differences	(22,540)	(34,480)	(614)	(106)	(263)	(6,422)	(64,425)
Additions	6,762	4,163	470	–	324	13,951	25,670
Transfers	2,435	14,607	–	–	–	(17,042)	–
Impairment (Note 6)	–	(56,302)	–	–	–	(11,088)	(67,390)
Disposal (Note 30(b))	–	(4,875)	(163)	(22)	(97)	–	(5,157)
Depreciation (Note 6)	(25,596)	(55,404)	(2,304)	(4)	(541)	–	(83,849)
Closing net book value	242,508	322,032	4,964	1,169	2,126	61,862	634,661
At December 31, 2022							
Cost	354,778	798,652	23,854	2,993	14,557	61,862	1,256,696
Accumulated depreciation and impairment	(112,270)	(476,620)	(18,890)	(1,824)	(12,431)	–	(622,035)
Net book amount	242,508	322,032	4,964	1,169	2,126	61,862	634,661
Year ended December 31, 2023							
Opening net book amount	242,508	322,032	4,964	1,169	2,126	61,862	634,661
Exchange differences	(4,343)	(5,088)	(27)	(98)	(38)	(1,195)	(10,789)
Additions	649	5,257	421	984	228	175	7,714
Written off (Note 6)	(6,848)	(3,974)	(41)	(1,063)	(90)	(1,270)	(13,286)
Disposal (Note 30(b))	–	(34,831)	(18)	–	(207)	–	(35,056)
Disposal of a subsidiary (Note 33)	–	(47,032)	–	–	–	(47,407)	(94,439)
Depreciation (Note 6)	(21,452)	(39,914)	(1,722)	(65)	(307)	–	(63,460)
Closing net book value	210,514	196,450	3,577	927	1,712	12,165	425,345
At December 31, 2023							
Cost	335,353	687,513	23,586	2,470	11,759	12,165	1,072,846
Accumulated depreciation and impairment	(124,839)	(491,063)	(20,009)	(1,543)	(10,047)	–	(647,501)
Net book amount	210,514	196,450	3,577	927	1,712	12,165	425,345

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended December 31, 2023, the Group wrote off certain property, plant and equipment and construction in progress in Xinjiang with an aggregate carrying amount of HK\$13,286,000 due to obsolescence or quality issues. The directors of the Company are of opinion that the recoverable amount of these assets approximates HK\$Nil. The recoverable amount has been determined on the basis of fair value less costs of disposal. The fair value is estimated based on market approach under level 2 fair value measurement with reference to market quotes from independent third parties. Accordingly, the whole carrying amount was recognized as administrative expense in the consolidated statement of profit or loss.

During the year ended December 31, 2022, as a result of the unstable economic environment and anomaly weather in Xinjiang, it has led to a significant disruption in the operation and the management decided to suspend the production line in Xinjiang. The directors of the Company are of opinion that this causes an adverse impact on the estimated value of certain plant and machinery and construction in progress in Xinjiang. In addition, the directors of the Company also identified certain plant and equipment which was technological obsolescence. Consequently, the directors of the Company conducted a review and determined that an impairment loss of approximately HK\$67,390,000 on those assets is necessary. The recoverable amount of relevant assets has been determined on the basis of fair value less costs of disposal. The fair value was estimated based on the market approach under level 2 fair value measurement with reference to recent market transactions in similar assets. Consequently the carrying amount of relevant assets as at December 31, 2022 amounting to approximately HK\$89,885,000 was reduced to its recoverable amount of approximately HK\$22,495,000.

As at December 31, 2023, the net book value of buildings pledged as securities for the Group's borrowing facilities was HK\$80,670,000 (December 31, 2022: HK\$87,896,000) (Note 29).

As at December 31, 2023, none of the Group's plant and machinery were pledged as securities for the Group's borrowing facilities (December 31, 2022: HK\$53,315,000) (Note 29).

Depreciation expense of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Cost of sales	53,816	63,790
Administrative expenses	9,644	20,059
	63,460	83,849

As at December 31, 2023, all buildings are located in the PRC (December 31, 2022: Same).

16 LEASES

This note provides information for leases where the group is a lessee.

Right-of-use assets and lease liabilities

- (i) Amount recognized in the statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Reconciliation of right-of-use assets	Buildings HK\$'000	Land use rights HK\$'000	Total HK\$'000
At January 1, 2022	11,761	321,334	333,095
Additions	7,209	–	7,209
Depreciation for the year (Note 6)	(12,131)	(5,893)	(18,024)
Exchange differences	(699)	(26,097)	(26,796)
At December 31, 2022 and January 1, 2023	6,140	289,344	295,484
Additions	3,610	–	3,610
Effect of lease modification (Note 9)	(1,362)	–	(1,362)
Depreciation for the year (Note 6)	(5,409)	(5,795)	(11,204)
Disposal of a subsidiary (Note 33)	–	(53,713)	(53,713)
Exchange differences	26	(3,783)	(3,757)
At December 31, 2023	3,005	226,053	229,058

As at December 31, 2023, right-of-use assets with net book value of HK\$43,248,000 (December 31, 2022: HK\$98,367,000) were pledged as securities for the Group's borrowings (Note 29).

Reconciliation of lease liabilities	Buildings HK\$'000
At January 1, 2022	13,435
Additions	7,209
Effect of lease modification (Note 9)	(2,264)
Interest	691
Lease payments	(11,715)
Interest paid	(691)
Exchange differences	(692)
At December 31, 2022 and January 1, 2023	5,973
Additions	3,610
Effect of lease modification (Note 9)	(1,401)
Interest	288
Lease payments	(5,377)
Interest paid	(288)
Exchange differences	29
At December 31, 2023	2,834

16 LEASES (Continued)

Right-of-use assets and lease liabilities (Continued)

(i) Amount recognized in the statement of financial position (Continued)

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Lease liabilities		
Current	1,599	5,144
Non-current	1,235	829
	2,834	5,973

(ii) Amount recognized in the statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
<i>Notes</i>		
Depreciation charge of right-of-use assets		
Buildings	5,409	12,131
Land use rights	5,795	5,893
<i>6</i>	11,204	18,024
Interest expense (included in finance cost)	288	691
<i>10</i>		

16 LEASES (Continued)

Right-of-use assets and lease liabilities (Continued)

(iii) Future lease payments are due as follows:

	Minimum lease payments December 31, 2023 HK\$'000	Interest December 31, 2023 HK\$'000	Present value December 31, 2023 HK\$'000
Not later than one year	1,730	131	1,599
Later than one year and not later than two years	1,298	63	1,235
	3,028	194	2,834

	Minimum lease payments December 31, 2022 HK\$'000	Interest December 31, 2022 HK\$'000	Present value December 31, 2022 HK\$'000
Not later than one year	5,372	228	5,144
Later than one year and not later than two years	839	10	829
	6,211	238	5,973

(iv) The Group's leasing activities

The Group leases various offices, warehouses and factories. Rental contracts are typically made for fixed periods of three years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. There are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

(vi) Residual value guarantees

To optimize lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

17 INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
At January 1, 2022	21,396	57,464	78,860
Change in fair value (Note 12(a))	(824)	(51,723)	(52,547)
Exchange differences	(1,725)	(3,233)	(4,958)
At December 31, 2022 and January 1, 2023	18,847	2,508	21,355
Disposal of the discontinued operation (Note 12(b))	(18,502)	(2,462)	(20,964)
Exchange differences	(345)	(46)	(391)
At December 31, 2023	—	—	—

The Group's investment properties were valued at December 31, 2022 by APAC Asset Valuation and Consultant Limited, an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The valuation of the investment properties was based on direct comparison approach by making reference to comparable sales evidence available as in the relevant market.

The fair value of investment properties was a level 2 recurring fair value measurement.

Under the direct comparison approach, significant inputs of the Group's industrial land and buildings in the PRC include price per square metre compared to recent sales on the comparable transactions.

The fair value measurement of investments properties was positively correlated to the price per metre where appropriate and a favorable adjustment on the comparable transactions under the direct comparison approach.

There were no changes to the valuation techniques during the year ended December 31, 2022.

The fair value measurement was based on the above property highest and best use, which did not differ from their actual use.

During the year ended December 31, 2022, there were no transfers into or out of Level 2 or any other Level. The Group's policy is to recognize transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

18 DEFERRED TAX ASSETS

The following is the major deferred tax assets recognized by the Group and their movements:

	Revaluation of property, plant and equipment HK\$'000
At January 1, 2022	2,540
Exchange differences	(207)
At December 31, 2022 and January 1, 2023	2,333
Disposal of the discontinued operation (Note 12(b))	(2,290)
Exchange differences	(43)
At December 31, 2023	—

19 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY

(a) Particulars of principal subsidiaries

The following is a list of the principal subsidiaries at December 31, 2023, which principally affected the results, assets or liabilities of the Group:

Name of company	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/registered capital	Equity interest	Principal activities and place of operations
PanAsia Aluminium (Hong Kong) Limited	Hong Kong, limited liability company	1,010,000 ordinary shares of HK\$1 each	100% (indirect)	Trading and distribution of aluminium products/Hong Kong
PanAsia Aluminium Limited ("PAAL")	Hong Kong, limited liability company	10,000 ordinary shares of HK\$1 each	100% (indirect)	Investment holding and provision of management services/Hong Kong
PanAsia Aluminium (China) Ltd.# ("PACL")	The PRC, limited liability company	Registered capital of USD106,800,000 and paid-up capital of USD106,800,000	100% (indirect)	Trading of aluminium products/the PRC
PanAsia Enterprises (Nanyang) Company Limited# ("PANY")	The PRC, limited liability company	Registered capital of USD228,920,000 and paid-up capital of USD179,366,654	100% (indirect)	Manufacturing and trading of aluminium products/the PRC

* The English names of certain subsidiaries referred in the above represent the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

As at December 31, 2022, share capital of PANY was pledged as security for bank borrowings (Note 29).

19 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (Continued)**(b) Controlled structured entity**

The Group controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
Employees' share award scheme (Employee share trust)	Purchases, administers and holds the Company shares for the share award scheme for the benefit of the Group's eligible employees

As the employee share trust is set up solely for the purpose of purchasing, administering and holding Company's shares for the share award scheme, the Company has the power to direct the relevant activities of the employee share trust and it has the ability to use its power over the employee share trust to affect its exposure to returns. Therefore, the assets and liabilities, if any, of employee share trust are included in the consolidated and company statements of financial position and the Company's shares it held are presented as a deduction in equity as shares held for share award scheme.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost HK\$'000
Assets as per consolidated statement of financial position	
December 31, 2023	
Trade receivables (Note 22)	223,119
Deposits and other receivables	86,144
Pledged bank deposits (Note 23)	82,663
Cash and cash equivalents (Note 23)	226,239
Total	618,165
December 31, 2022	
Trade receivables (Note 22)	273,471
Deposits and other receivables	85,543
Pledged bank deposits (Note 23)	56,136
Cash and cash equivalents (Note 23)	73,665
Total	488,815

20 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Other financial liabilities at amortized cost HK\$'000
Liabilities as per consolidated statement of financial position	
December 31, 2023	
Trade and bills payables (Note 28)	65,896
Other payables and accrued charges	107,119
Lease liabilities (Note 16)	2,834
Borrowings (Note 29)	210,603
Total	386,452
December 31, 2022	
Trade and bills payables (Note 28)	53,802
Other payables and accrued charges	147,445
Lease liabilities (Note 16)	5,973
Borrowings (Note 29)	393,982
Total	601,202

21 INVENTORIES

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Raw materials	22,203	12,661
Work-in-progress	43,223	60,901
Finished goods	28,561	28,428
Total inventories	93,987	101,990

During the year ended December 31, 2023, a reversal of impairment loss on inventories amounting to HK\$6,772,000 (year ended December 31, 2022: an impairment loss of HK\$10,629,000) was recognized in the consolidated statement of profit or loss. The reversal of impairment loss on inventories made in prior years arose upon utilization.

22 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Trade receivables	355,915	424,229
Less: impairment loss recognized (Note 3.1(b))	(132,796)	(150,758)
Trade receivables – net	223,119	273,471

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 90 days (December 31, 2022: Same). The Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

As at December 31, 2023, the ageing analysis of the trade receivables based on due date was as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Current	202,582	256,658
1 – 30 days	19,735	14,153
31 – 60 days	671	2,026
61 – 90 days	96	459
91 – 180 days	35	173
181 days – 1 year	–	2
	223,119	273,471

As at December 31, 2023, receivables of HK\$202,582,000 were neither past due nor impaired (December 31, 2022: HK\$256,658,000). These receivables relate to customers for whom there is no recent history of default. The remaining receivables were past due, which related to a number of independent customers that have a good track record of payment with the Group.

During the year ended December 31, 2022, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest was charged at 4% to 7.8% on the proceeds received from the financial institutions until the date the debtors pay. The Group was therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

22 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The discounting transactions did not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At December 31, 2022, trade receivables of HK\$27,016,000 continued to be recognized in the Group's consolidated financial statements even though they had been legally transferred to the financial institutions. The proceeds of the discounting transactions were included in borrowings (Note 29) until the trade receivables were collected or the Group settles any losses suffered by the financial institutions. At December 31, 2022, the associated secured borrowings amounted to HK\$23,625,000 (Note 29). The carrying amount of the transferred assets and their associated liabilities approximates their fair value as at December 31, 2022.

As at December 31, 2023, all trade receivables were non-interest bearing (December 31, 2022: Same).

As at December 31, 2023, the carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
AUD	3,258	1,346
RMB	195,232	234,397
USD	23,112	37,006
Others	1,517	722
	223,119	273,471

Prepayments for property, plant and equipment represented the prepayments mainly made for purchase of plant and machinery.

As at December 31, 2023, breakdown of prepayments, deposits and other receivables under current assets was as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Current portion:		
Prepayments to suppliers for purchases of materials, net	23,481	37,033
Receivables from the disposal of the land of Zengcheng	42,698	43,493
Amount due from a financial institution ⁽ⁱ⁾	16,224	8,945
Others	64,097	128,476
	146,500	217,947
Non-current portion:		
Prepayments for property, plant and equipment	3,002	6,961
Total	149,502	224,908

(i) As at December 31, 2023, amount due from a financial institution amounting to HK\$16,224,000 (December 31, 2022: HK\$8,945,000) resulting from the net settlements of derivative financial instruments which were in closed-out positions at the end of reporting period.

23 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Cash in hand	160	64
Cash at bank	99,563	73,601
Time deposits – Current	126,516	–
Cash and cash equivalents	226,239	73,665
Pledged bank deposits – Current	82,663	56,136
	308,902	129,801

As at December 31, 2023, bank deposits of HK\$27,554,000 (December 31, 2022: HK\$Nil) and HK\$55,109,000 (December 31, 2022: HK\$56,136,000) were pledged as securities for bills payables (Note 28) and bank borrowings (Note 29).

The cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
HKD	1,928	1,947
AUD	37,863	2,600
RMB	162,495	104,240
USD	97,720	17,727
British Pounds (“GBP”)	8,880	3,283
Others	16	4
	308,902	129,801

24 SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorized:		
As at January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	2,400,000,000	240,000
Issued and fully paid:		
As at January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	1,200,000,000	120,000

25 SHARE AWARD SCHEME

Since March 3, 2014, the Group's share award scheme has been in effect. The terms of the share award scheme provide for shares in the Company to be awarded to employees of the Group (including the executive director) as part of their compensation package.

On April 7, 2014, following the Board's decision to award a sum of up to HK\$10 million, the awarded shares are purchased from the market. Before vesting, the awarded shares are held in a trust set up by the share award scheme.

No awarded shares were awarded for the years ended December 31, 2022 and 2023.

During the years ended December 31, 2022 and 2023, the share award scheme did not acquire any Company's shares through purchases on the open market.

During the years ended December 31, 2022 and 2023, the share award scheme did not transfer any Company's shares to the awardees upon vesting of awarded shares.

As at December 31, 2023, 595,000 shares were held by the trustee representing approximately 0.05% of the issued share capital of the Company (December 31, 2022: Same).

On March 1, 2024 ("**Amendment Date**"), the Company has amended the Share Award Scheme by way of adopting the Scheme Rules (as amended and restated). The Share Award Scheme was adopted on March 3, 2014 which is valid and effective for a term of ten years from its adoption date, subject to any early termination as may be determined by the Board.

Pursuant to the rules of the Share Award Scheme, the Share Award Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected employee. The maximum number of Shares to be purchased by the trustee shall not exceed five per cent. (5%) of the issued share capital of the Company as at the Amendment Date, i.e. 60,000,000 Shares throughout the term of the Share Award Scheme. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Amendment Date and ending on the tenth (10th) anniversary of the Amendment Date.

26 SHARE OPTION SCHEME

(a) Equity-settled share option scheme

The Group maintained a share options scheme for employee or compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On January 18, 2013, a share option scheme (the “**Share Option Scheme**”) was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to grant options to eligible participants as incentives and rewards for their contribution or potential contribution to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time or part-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional. The Share Option Scheme was expired on January 18, 2023.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders.

Options granted to independent non-executive directors in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event must be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

26 SHARE OPTION SCHEME (Continued)

(a) Equity-settled share option scheme (Continued)

Share options granted on December 23, 2019

On December 23, 2019, the Company granted share options to eligible participants to subscribe for a total of 61,200,000 ordinary shares of HK\$0.1 each (with exercise price of HK\$0.396 per share) in the share capital of the Company under the Share Option Scheme. The share options are exercisable for a period of ten years from the date of grant, subject to the vesting period as follows: (i) 60% of the share options be vested on the date of grant; and (ii) 40% of the share options be vested on the first anniversary of the date of grant. Details of the share options movements during the years ended December 31, 2022 and 2023 are as follows:

For the year ended December 31, 2023

Name or category of participant	Date of grant	Exercise period	Exercise price HK\$	Outstanding as at January 1, 2023	Granted during the year	Lapsed during the year	Surrendered during the year	Outstanding as at December 31, 2023
Directors								
Mr. Leung Ka Tin (Expiry of terms of appointment on April 1, 2023)	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	(1,200,000)	–	–
Dr. Cheung Wah Keung	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	–	–	1,200,000
Mr. Chan Kai Nang	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	–	–	1,200,000
Subtotal				3,600,000	–	(1,200,000)	–	2,400,000
Others								
Employees	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	11,192,000	–	(2,760,000)	–	8,432,000
Total				14,792,000	–	(3,960,000)	–	10,832,000

26 SHARE OPTION SCHEME (Continued)

(a) Equity-settled share option scheme (Continued)

Share options granted on December 23, 2019 (Continued)

For the year ended December 31, 2022

Name or category of participant	Date of grant	Exercise period	Exercise price HK\$	Outstanding as at January 1, 2022	Granted during the year	Lapsed during the year	Surrendered during the year	Outstanding as at December 31, 2022
Directors								
Mr. Leung Ka Tin	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	–	–	1,200,000
Dr. Cheung Wah Keung	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	–	–	1,200,000
Mr. Chan Kai Nang	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	–	–	1,200,000
Subtotal				3,600,000	–	–	–	3,600,000
Others								
Mr. Mar Selwyn ⁽ⁱ⁾	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	1,200,000	–	(1,200,000)	–	–
Employees	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	29,872,000	–	(18,680,000)	–	11,192,000
Subtotal				31,072,000	–	(19,880,000)	–	11,192,000
Total				34,672,000	–	(19,880,000)	–	14,792,000

(i) Mr. Mar Selwyn has resigned as a senior adviser to the Group with effect from June 29, 2022.

26 SHARE OPTION SCHEME (Continued)

(a) Equity-settled share option scheme (Continued)

Share options granted on December 23, 2019 (Continued)

The fair value of the share options granted to the directors and employees on December 23, 2019 were HK\$1,203,000 (HK\$0.0879 each) and HK\$2,897,000 (HK\$0.1301 each) respectively.

The following information is relevant in the determination of the fair value of options granted on December 23, 2019 under the Share Option Scheme:

Option pricing model used	Binomial Option Pricing Model
Share price	HK\$0.375
Exercise price	HK\$0.396
Expected volatility	48.523%
Expected dividend rate	—
Risk-free interest rate	1.695%

(b) Equity-settled service contract

Share options granted on December 23, 2019

On July 1, 2019, the Company entered into a service contract with the consultant to appoint him as the Group's sales and marketing relations consultant for a term of 12 months (effective on the date of service rendered). In consideration of the services provided by the consultants, the Company granted 10,800,000 share options that are exercisable from December 23, 2019 to December 22, 2029. The share options are exercisable for a period of ten years from the date of grant, subject to the vesting period as follows: (i) 60% of the share options be vested on the date of grant; and (ii) 40% of the share options be vested on the first anniversary of the date of grant.

The fair value of the services on December 23, 2019, at grant date, were HK\$570,000, which was based on terms and conditions stated in the services contract.

The weighted average remaining contractual life was 5.98 years (2022: 6.98 years). No share options has been exercised for the years ended December 31, 2022 and 2023.

During the year ended December 31, 2023, 3,960,000 share options (year ended December 31, 2022: 19,880,000) have been lapsed and accordingly the corresponding share option reserve amounted to HK\$516,000 (year ended December 31, 2022: HK\$2,684,000) was released to the Group's accumulated losses.

27 RESERVES

The amounts of the Group's reserves and the movements therein for the years ended December 31, 2022 and 2023 are presented in the consolidated statement of changes in equity.

The statutory reserves are set up by the Group's subsidiary, by way of appropriation from the profit for the year in accordance with the relevant laws and regulations.

In the PRC, the subsidiary which is incorporated in the PRC, is required to allocate at least 10% of its net profit for each voting period as reported in its PRC statutory accounts to the statutory reserves until such reserve reaches 50% of registered capital. The reserve is designated for statutory surplus reserve fund and an enterprise expansion fund which are non-distributable. The statutory surplus reserve fund can be used to make up its prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund can be used for expanding its capital base, by means of capitalization issue.

28 TRADE AND BILLS PAYABLES, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED CHARGES

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Trade and bills payables	65,896	53,802
Contract liabilities (Note)	8,165	11,147
Accrued employee benefit expenses	43,718	45,843
Accrued operating expenses	36,007	39,409
Payable for purchase of property, plant and equipment	8,009	21,246
Other payables and accruals	19,385	40,947
Total contract liabilities, other payables and accrued charges	115,284	158,592

As at December 31, 2023, the Group's bills payables amounting to HK\$27,554,000 (December 31, 2022: HK\$Nil) were secured by the Group's certain pledged deposits (Note 23).

As at December 31, 2023, the ageing analysis of the Group's trade and bills payables based on invoice date was as follows:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
0 – 30 days	18,157	32,373
31 – 60 days	7,439	5,437
61 – 90 days	2,225	2,276
Over 90 days	38,075	13,716
	65,896	53,802

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
AUD	–	18
RMB	65,896	53,515
HKD	–	269
	65,896	53,802

28 TRADE AND BILLS PAYABLES, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED CHARGES (Continued)

Note:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
<i>Contract liabilities arising from:</i>		
Sale of goods	8,165	11,147

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of goods

For sale of goods, the Group may take a deposit on acceptance of the order, with the remainder of the consideration payable when the customers accepted the goods. The remainder of the consideration is classified as a contract liability until such time as the goods are accepted by the customers.

Movements in contract liabilities

	2023 HK\$'000	2022 HK\$'000
Balance at beginning of year	11,147	24,467
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(5,750)	(18,260)
Increase in contract liabilities as a result of receiving deposits	8,015	5,896
Write back of contract liabilities (Note 8)	(5,182)	–
Exchange differences	(65)	(956)
Balance at end of year	8,165	11,147

The contract liabilities as at December 31, 2023 were expected to be recognized as revenue in the next 12 months.

29 BORROWINGS

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Current		
Collateralized borrowings of a financial institution (Note 22)	–	23,625
Bank loans	145,575	138,874
	145,575	162,499
Non-current		
Other loans	65,028	231,483
Total	210,603	393,982

29 BORROWINGS (Continued)

As at December 31, 2023, the effective interest rate of the interest-bearing borrowings was 4.22% per annum (December 31, 2022: 5.85% per annum).

The carrying amounts of all borrowings are carried at amortized cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the borrowings are denominated in RMB.

The Group had the following undrawn borrowing facilities:

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Expiring within one year	64,477	123,451

As at December 31, 2023, the undrawn remaining facilities are annual facilities subject to review at various dates during the year ending December 31, 2024.

As at December 31, 2023, the Group's facilities were secured by the following:

- (i) guarantees of the Company;
- (ii) guarantees of a director of the Company;
- (iii) pledge of the Group's certain property, plant and equipment (Note 15) and right-of-use assets (Note 16); and
- (iv) pledge of the Group's certain bank deposits (Note 23).

As at December 31, 2022, the Group's facilities were secured by the followings:

- (i) guarantees of the Company and certain subsidiaries;
- (ii) guarantees of a former executive director of the Company;
- (iii) guarantees of a director of the Company;
- (iv) guarantees of a state-owned enterprise of the PRC;
- (v) pledge of the Group's certain trade receivables (Note 22);
- (vi) pledge of the Group's certain property, plant and equipment (Note 15) and right-of-use assets (Note 16);
- (vii) pledge of the Group's certain bank deposits (Note 23); and
- (viii) pledge of share capital of a subsidiary (Note 19).

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Profit/(loss) before income tax		
– From continuing operations	2,638	(65,018)
– From discontinued operation	864	(53,011)
Adjustments for:		
– Loss on disposal of property, plant and equipment (Note 6)	27,500	598
– Written off of property, plant and equipment (Note 6)	13,286	67,390
– Depreciation of property, plant and equipment (Note 15)	63,460	83,849
– Depreciation of right-of-use assets (Note 16)	11,204	18,024
– Written off of prepayments (Note 6)	12,213	–
– Impairment loss on prepayments for property, plant and equipment (Note 6)	–	27,838
– (Reversal of impairment loss)/impairment loss on inventories (Note 6)	(6,772)	10,629
– Reversal of impairment loss on trade receivables (Note 3.1(b))	(22,637)	(25,702)
– Write back of other payables (Note 8)	(10,867)	(5,191)
– Write back of contract liabilities (Note 8)	(5,182)	–
– Gain on disposal of the discontinued operation (Note 12(a))	(3,444)	–
– Gain on disposal of a subsidiary (Note 33)	(9,608)	–
– Gain on deregistration of subsidiaries (Note 9)	(133)	–
– Effect of lease modification (Note 9)	(39)	(2,264)
– Change in fair value of investment properties (Note 12(a))	–	52,547
– Finance costs (Note 10)	13,059	26,447
– Interest income on bank deposits (Note 10)	(3,474)	(661)
Operating profit before working capital charges	82,068	135,475
Changes in working capital:		
– Inventories	13,098	76,063
– Trade receivables, prepayments, deposits and other receivables	149,684	44,897
– Trade and bills payables, contract liabilities, other payables and accrued charges and deferred income	(12,964)	(87,650)
Cash generated from operations	231,887	168,785

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) An analysis of loss on disposal of property, plant and equipment is as follows:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Net book amount (Note 15)	35,056	5,157
Loss on disposal of property, plant and equipment (Note 6)	(27,500)	(598)
Proceeds from disposal of property, plant and equipment	7,556	4,559

(c) Reconciliation of liabilities arising from financing activities

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

	Borrowings (Note 29) HK\$'000	Lease liabilities (Note 16) HK\$'000	Total HK\$'000
At January 1, 2023	393,982	5,973	399,955
Changes from cash flow:			
Interest paid on borrowings	(12,771)	–	(12,771)
Interest paid on lease liabilities	–	(288)	(288)
Proceeds from borrowings	129,079	–	129,079
Repayments of borrowings	(190,797)	–	(190,797)
Payment for lease liabilities	–	(5,377)	(5,377)
Total changes from financing cash flows:	(74,489)	(5,665)	(80,154)
Other changes:			
Exchange adjustments	(3,728)	29	(3,699)
Interest expense on borrowings	12,771	–	12,771
Interest expense of lease liabilities	–	288	288
Additions of lease liabilities	–	3,610	3,610
Effect of lease modification	–	(1,401)	(1,401)
Disposal of a subsidiary (Note 33)	(117,933)	–	(117,933)
Total other changes	(108,890)	2,526	(106,364)
At December 31, 2023	210,603	2,834	213,437

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings (Note 29) HK\$'000	Lease liabilities (Note 16) HK\$'000	Total HK\$'000
At January 1, 2022	486,683	13,435	500,118
Changes from cash flow:			
Interest paid on borrowings	(25,756)	–	(25,756)
Interest paid on lease liabilities	–	(691)	(691)
Proceeds from borrowings	733,517	–	733,517
Repayments of borrowings	(787,981)	–	(787,981)
Payment for lease liabilities	–	(11,715)	(11,715)
Total changes from financing cash flows:	(80,220)	(12,406)	(92,626)
Other changes:			
Exchange adjustments	(38,237)	(692)	(38,929)
Interest expense on borrowings	25,756	–	25,756
Interest expense of lease liabilities	–	691	691
Additions of lease liabilities	–	7,209	7,209
Effect of lease modification	–	(2,264)	(2,264)
Total other changes	(12,481)	4,944	(7,537)
At December 31, 2022	393,982	5,973	399,955

(d) Major non-cash transaction

During the year ended December 31, 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$3,610,000 in respect of lease arrangements for buildings (year ended December 31, 2022: HK\$7,209,000).

31 CAPITAL COMMITMENTS

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Contracted but not provided for:		
– Property, plant and equipment	16,146	197,608

32 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended December 31, 2022 and 2023.

Key management compensation

The Group defines executive directors of the Company as key management and the compensation paid or payable to key management for employee services is shown below:

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Salaries, bonus and allowances	3,898	3,065
Contributions to defined contribution plans	36	36
	3,934	3,101

33 DISPOSAL OF A SUBSIDIARY

During the year ended December 31, 2023, the Group disposed of its entire 100% equity interest in 榮陽實業（江門）有限公司 (“PAJM”) to an independent third party, at a consideration of RMB35,971,000 (equivalent to HK\$40,780,000). On March 24, 2023, the disposal was completed. Details of the assets and liabilities of PAJM at the date of disposal were as follows:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	94,439
Right-of-use assets	53,713
Borrowings	(117,933)
Net assets disposal of	30,219
Cumulative exchange differences in respect of the net assets of PAJM reclassified from equity to profit or loss on loss of control of PAJM	953
Gain on disposal	9,608
Total consideration	40,780
Net cash inflow arising on disposal:	
Cash consideration	40,780

34 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	–	–
Current assets		
Due from a subsidiary	242,533	242,709
Cash and cash equivalents	8	8
	242,541	242,717
Total assets	242,541	242,717
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	120,000	120,000
Reserves	122,518	122,694
Total equity	242,518	242,694
LIABILITIES		
Current liabilities		
Other payables and accrued charges	23	23
Total liabilities	23	23
Total equity and liabilities	242,541	242,717

The statement of financial position was approved by the Board of Directors on March 26, 2024.

Pan Zhaolong
Director

Ho Pak Yiu
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY
(Continued)

	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at January 1, 2023	1,001,287	(774)	3,694	828,317	(1,709,830)	122,694
Comprehensive income:						
Loss for the year	–	–	–	–	(176)	(176)
Total comprehensive income for the year	–	–	–	–	(176)	(176)
Release upon lapse of share options	–	–	(516)	–	516	–
Balance at December 31, 2023	1,001,287	(774)	3,178	828,317	(1,709,490)	122,518
Balance at January 1, 2022	1,001,287	(774)	6,378	828,317	(1,712,337)	122,871
Comprehensive income:						
Loss for the year	–	–	–	–	(177)	(177)
Total comprehensive income for the year	–	–	–	–	(177)	(177)
Release upon lapse of share options	–	–	(2,684)	–	2,684	–
Balance at December 31, 2022	1,001,287	(774)	3,694	828,317	(1,709,830)	122,694

35 BENEFITS AND INTERESTS OF DIRECTORS

The emoluments of individual directors of the Company during the years ended December 31, 2022 and 2023 were set out as follows:

Year ended December 31, 2023	Fee HK\$'000	Salaries and allowance HK\$'000	Share award scheme HK\$'000	Share option scheme HK\$'000	Discretionary and retirement bonus HK\$'000	Contributions to defined contribution plan HK\$'000	Total HK\$'000
Executive Directors:							
Mr. Pan Zhaolong	120	2,153	-	-	-	18	2,291
Mr. Ho Pak Yiu	-	1,625	-	-	-	18	1,643
Independent non-executive Directors:							
Dr. Cheung Wah Keung	240	-	-	-	-	-	240
Mr. Leung Ka Tin (Note i)	60	-	-	-	-	-	60
Mr. Chan Kai Nang	240	-	-	-	-	-	240
Mr. Man Yiu Kwong Nick	225	-	-	-	-	-	225
	885	3,778	-	-	-	36	4,699

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Year ended December 31, 2022	Fee HK\$'000	Salaries and allowance HK\$'000	Share award scheme HK\$'000	Share option scheme HK\$'000	Discretionary and retirement bonus HK\$'000	Contributions to defined contribution plan HK\$'000	Total HK\$'000
Executive Directors:							
Mr. Pan Zhaolong	120	2,020	-	-	-	18	2,158
Mr. Ho Pak Yiu (Note ii)	-	925	-	-	-	12	937
Independent non-executive Directors:							
Dr. Cheung Wah Keung	240	-	-	-	-	-	240
Mr. Leung Ka Tin	240	-	-	-	-	-	240
Mr. Chan Kai Nang	240	-	-	-	-	-	240
Mr. Man Yiu Kwong Nick (Note iii)	30	-	-	-	-	-	30
	870	2,945	-	-	-	30	3,845

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Notes:

- (i) The term of appointment for Mr. Leung Ka Tin as an independent non-executive director expired on April 1, 2023.
- (ii) Mr. Ho Pak Yiu was appointed as an executive director and chief financial officer on May 18, 2022.
- (iii) Mr. Man Yiu Kwong Nick was appointed as an independent non-executive director on November 1, 2022.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies comprising the Group during the year ended December 31, 2023 (year ended December 31, 2022: Same).

Financial Summary

CONSOLIDATED RESULTS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)	Year ended December 31, 2021 HK\$'000 (unrestated)	Year ended December 31, 2020 HK\$'000 (unrestated)	Year ended December 31, 2019 HK\$'000 (unrestated)
Continuing operations					
Revenue	1,036,675	1,611,202	1,854,640	1,817,633	1,717,428
Profit/(loss) before income tax	2,351	(65,018)	(358,063)	1,229,240	(489,659)
Income tax credit/(expense)	24,661	13,406	17,338	(308,408)	(5,935)
Profit/(loss) for the year from continuing operations	27,299	(51,612)	(340,725)	(920,832)	(495,594)
Discontinued operation					
Profit/(loss) for the year from discontinued operation	864	(53,011)	–	–	–
Profit/(loss) for the year	28,163	(104,623)	(340,725)	(920,832)	(495,594)

CONSOLIDATED ASSETS AND LIABILITIES

	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000	December 31, 2021 HK\$'000	December 31, 2020 HK\$'000	December 31, 2019 HK\$'000
Total assets	1,431,519	1,684,003	2,143,172	4,011,675	2,159,966
Total liabilities	710,476	967,973	1,229,639	2,784,823	1,916,724
Net assets attributable to owners of the Company	721,043	716,030	913,533	1,226,852	243,242